Austria	Sch24	Iran	Rls210	Pakistan	[illegible]
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Peso40
Belgium	BFr55	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Esc165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR7.00
Finland	FM8.50	Lebanon	L£900.00	Singapore	S$4.10
France	FFr7.00	Lux	LFr55	Spain	Pta165
Germany	DM2.60	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr190	Morocco	MDh8.00	Switz	SFr2.30
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.900
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

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AUSTRIAN POLL

Failing to address crisis of identity

Page 3

World News

Soviet tanks 'moved east to evade treaty rules'

Seven thousand Soviet tanks are thought to have been shipped east of the Ural mountains to prevent them having to be destroyed under the conventional armed forces treaty due for signature next month.

The International Institute for Strategic Studies also cited reports that as many as 10,000 tanks had been collected near Kiev to be exported for scrap. Page 3

Philippines revolt

A former senior officer in President Corazon Aquino's palace guard seized control of two cities after a bloodless mutiny on the southern Philippines island of Mindanao. Page 28

Mazowiecki's bid

Polish prime minister Tadeusz Mazowiecki said he would run for president, a post that Solidarity leader Lech Walesa has already announced he will contest.

Help for Rwanda

France and Belgium are sending military help to Rwanda, the central African former Belgian colony which is fighting a rebel invasion. Page 8

Singh delays vote

Indian prime minister V. P.Singh won approval for postponing elections in Punjab's state assembly, dissolved in 1987. Page 8

More jobless Poles

Poland's unemployment rate reached 6.9 per cent in September after a monthly increase of 106,000 to 926,382.

Seoul-Peking link

South Korea, flushed with success after setting up diplomatic ties with Moscow, is to try normalising relations with China, its foreign minister said.

Famine threat

Save the Children, the international charity, warned that 10m people in Ethiopia and Sudan risk starvation unless action is taken now. More than 1m died in Ethiopia's 1984-85 famine. Page 8

German unity clash

A clash over the cost of unity marked the first session of a democratic all-German parliament since before the Second World War. Page 26; Berliners pick up the pieces, Page 2

Paris flats collapse

A block of flats collapsed in a Paris suburb after an explosion, killing at least four people and injuring eight. A gas leak was probably to blame.

Malaysian snap poll

Malaysia's prime minister dissolved parliament to call a snap general election one year ahead of schedule. Page 8

Indian troops killed

Pakistan said that Indian forces suffered heavy losses, including the deaths of two senior officers, in a recent attack on a Pakistani post in Kashmir.

Financiers jailed

Two financiers who worked for the Bank of Credit and Commerce International in London were jailed for conspiring with the "personal banker" of former Panamanian leader General Noriega. Page 10

Business Summary

Brady warns of interest rate rise if budget falls

US interest rates will rise if Congress rejects the budget agreement, Mr Nicholas Brady, the US treasury secretary, has warned in the face of growing cross-party opposition to the tax and spending measures.

Following approval of the package by Mr Alan Greenspan, Federal Reserve chairman, Mr Brady said it was up to Congress. "If you vote for, interest rates will go down. If you vote against, interest rates will go up." Page 26

PEUGEOT Talbot, UK division, is to shed 350 jobs, mainly at its Ryton assembly plant near Coventry. Page 10

FOREX: Speculation about lower US interest rates led to selling of the dollar, pushing it to a record low against the D-Mark and to its lowest against the Japanese yen for over 17 months. Currencies, Page 46; US Budget, Page 6

ROTHMANS International, tobacco and luxury goods group, is bidding for the 61.3 per cent of P.J. Carroll, the Irish cigarette company, it does not already own. Page 27

NEWS CORPORATION shares continued to fall in Australia, closing at A$6.68, less than half their year's high. Page 31

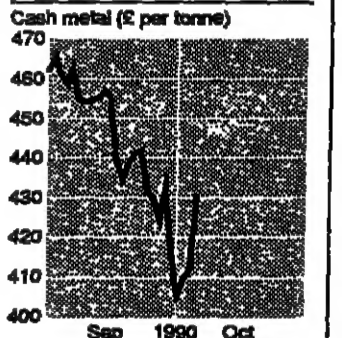
GENERAL MOTORS president Robert Eaton said it was "an illusion" to assume long-term protectionist measures against Japanese car sales in Europe would succeed. Page 4

CREDIT LYONNAIS, French state-owned bank, reported a 33 per cent increase in first-half net profits to FFr1.82bn ($340bn). Page 27

LONDON METALS: Cash lead rose sharply, with a premium for cash metal over three-month of £9.50 a tonne emerging, following Wednesday's discount of £2.50. Commodities, Page 38

Lead

Cash metal (£ per tonne)



Source: Datastream

AUSTRALIA: Finance minister Paul Keating announced a parliamentary inquiry into the nation's banking system following a Treasury study which showed prime rates had not fallen in line with official money market rates. Page 8

ALLIANZ, big German insurance group, is raising DM1.35bn ($871m) through a rights issue. Page 27

KLM: Shares in the Dutch airline fell by 11 per cent on a warning of possible losses in 1990-91. Page 28

KUWAIT Investment Office in London applied for all 80m shares in the flotation of Singapore Petroleum Company. Page 31

Gulf diplomacy efforts stepped up

By Victor Mallet in Dhahran and Robert Graham in London

DIPLOMATIC efforts intensified yesterday to try to persuade Iraq to end its two-month-old occupation of Kuwait.

In Moscow, President Mikhail Gorbachev stated that a military conflict could be avoided. Asked by journalists if he believed war would break out, he replied: "I think not."

His comments came as his special envoy Mr Yevgeny Primakov, a member of the presidential council, arrived in Baghdad for talks with the Iraqi leadership.

On his arrival, Mr Primakov said he thought it was necessary to find a political solution "to prevent slipping into a military course, and this is the true position of the Soviet Union."

His is the first visit by a top-level negotiator from one of the five permanent United Nations Security Council members since the Iraqi invasion of Kuwait on August 2.

The Soviet Union is also concerned to secure the exit of its remaining citizens in Iraq.

Mr Yassir Arafat, leader of the Palestine Liberation Organisation who is searching for an Arab solution to the Gulf crisis, was also in Baghdad where he had a further round of talks yesterday with President Saddam Hussein.

Mr Arafat, who met the Soviet presidential envoy in Amman on Wednesday, voiced optimism about prospects for a peaceful solution. He referred to President George Bush's speech at the UN earlier this week, which hinted that an Iraqi withdrawal could pave the way for a broader Middle East peace, and the plan put forward by President François Mitterrand of France.

Mr Mitterrand yesterday met King Fahd of Saudi Arabia in Jeddah on the second day of a three-day tour of the Gulf. Reports of the meeting suggested that the Saudi monarch remained convinced that Mr Saddam was not serious about negotiation.

An official for President Mitterrand said King Fahd agreed that all political means should be exhausted in the search for peace. However, he added: "Unfortunately Saddam Hussein doesn't seem to be listening."

In Jordan, Mr Toshiki Kaifu, Japan's prime minister, met a told a senior Iraqi envoy that Iraq's invasion of Kuwait and its seizure of foreign hostages were unacceptable.

Mr Kaifu, making the first trip to the Middle East by a Japanese premier in 12 years, is attempting to improve Tokyo's regional ties, particularly with the conservative Gulf states from which it imports much of its oil. During the two-hour meeting, Mr Ramadan reiterated Iraq's claim to Kuwait.

Mikhail Gorbachev: optimistic on prospects for peace

Fiat and CGE agree strategic swap of shares and businesses

By Haig Simonian in Turin and William Dawkins in Paris

FIAT of Italy and Générale d'Electricité (CGE) of France have agreed to swap share stakes and exchange a number of businesses in one of Europe's biggest cross-border corporate links to date.

The deal, which covers industries ranging from telecommunications to railway equipment, is aimed at strengthening the competitiveness of European industry on world markets, according to Fiat.

It will give Fiat 6 per cent of the shares in CGE. In return, the French group, which is best known for its Alcatel telecommunications activities and its Alsthom railway engineering subsidiary, will take 3 per cent of Fiat.

Fiat is also selling its Telettra telecommunications division to CGE and 50.1 per cent of its Fiat Ferroviaria railway equipment business – for L2,500bn ($2.13bn) and L150bn respectively. In return, the Italians will buy 50.1 of Compagnie Européenne d'Accumulateurs (CEAc), one of Europe's top car battery makers, from CGE for L160bn.

Fiat will also take 25 per cent of the new Italian telecommunications venture being forged from Telettra and Alcatal Face, CGE's Italian telecoms business, as well as about L500bn in cash.

Mr Cesare Romiti, Fiat's managing director, said the link with CGE "involved not just telecommunications, but was much more important". The two groups intended to "construct and maintain strategic links" for the foreseeable future.

Suard: seeks joint activities

Romiti: CGE link 'strategic'

The reciprocal equity stakes that will buttress their commitment to a long-term strategic alliance will be complemented by boardroom appointments. Fiat and CGE will exchange one board member each, while a further, as yet unnamed but mutually acceptable, representative will sit on the boards of both companies.

The two groups will also set up a new European holding company, on which three top executives from each side will be represented. The new unit's task will be to examine and co-ordinate future co-operation.

The deal furthers Fiat's policy of focusing more closely on its core automotive business. However, it will also allow it to create economies of scale and a more international dimension for some of its other activities, said Mr Romiti. In August, Fiat agreed to buy Ford's tractor and earth moving equipment business, while last month Iveco, its trucks subsidiary, clinched a deal to purchase Enasa, the Spanish commercial vehicles maker.

The deal helps Compagnie Générale d'Electricité to strengthen two of its main businesses: telecommunications, which accounted for more than 60 per cent of profits and turnover last year, and transport equipment, which represented another 17.5 per cent of sales.

Mr Pierre Suard, CGE's chairman emphasised that the cross shareholdings between the two groups were just as important as the specific exchanges of businesses in terms of cementing an alliance between groups with similar European strategies: "Each of us remains responsible for our traditional activities, but together we can tackle new activities, like artifical intelligence and new materials, where we have common interests but do not compete."

They did not plan to increase their cross-shareholdings.

The Telettra transaction marks a heavy blow for IRI, the Italian state holding company, which had also been bidding for the company.

Alcatel officials estimate that the addition of Telettra will give the new telecommunications group 19 per cent of the FFr64bn ($12.3bn) world cable transmission market, second position after AT&T of the US. In microwave transmission equipment, this brings Alcatel level with NEC of Japan, with 12 per cent of the FFr26bn world market.

The deal will more than double Alcatel's sales in the southern European transmission equipment market, estimated to be growing at least twice as fast as the 3 per cent to 5 per cent European average.

GEC Alsthom, CGE's engineering subsidiary jointly owned with GEC of the UK, gains control of a business similar to itself in the shape of Fiat's Ferroviaria. They are major suppliers for the Channel tunnel and are both producers of their respective countries' high speed trains, the French Train à Grande Vitesse and the Italian Pendolino leaning train.

Logical link-up of European giants, Page 24; Lex, Page 26

Polly Peck faces banks, will seek payments halt

By Alan Friedman, David Barchard and Clay Harris in London

A STRONGLY worded British government letter sent to Turkey last Saturday warned that Polly Peck International, the UK-based fruit trading and electronics group, faced receivership unless the Turkish government produced £100m ($188m) of rescue money within 48 hours.

News of the letter emerged ahead of today's critical meeting in London of 60 to 70 of Polly Peck's bankers. The company will be asking the banks to roll over £117m ($220m) in short-term debt and to agree to a 90-day standstill on debt payments.

The letter, sent in the form of a telegram and delivered to the foreign ministry in Ankara by Sir Timothy Daunt, the UK ambassador to Turkey, was signed by Mr Douglas Hurd, the foreign secretary.

It is unusual for governments to discuss the affairs of a publicly quoted company through diplomatic channels, especially at such a senior level.

The letter was a reply to one received a day earlier by Mr Hurd from the Turkish economics minister which said Ankara was examining aid to Polly Peck and requesting that London "hold the situation steady" with the company's UK bank creditors.

Turkish officials said a copy of the British note was sent to Turkey's President Turgut Ozal in New York just before he was due to meet Mrs Margaret Thatcher, the British prime minister. According to a senior Turkish official the Turkish leader was angered both by the contents and tone of the letter because he construed as an ultimatum.

Mr Ozal apparently decided to delay the rescue package because he did not want Turkish institutions to be exposed to greater loan exposure than Polly Peck's original London-based bank creditors.

The letter said that Polly Peck's bank creditors were emphasising that they would call in the administrators on Monday October 1 unless two key conditions were met:

- An immediate injection of £100m of funds by the Turkish authorities which would be usable in London.
- Management changes at Polly Peck.

The letter, of which the contents were confirmed last night by both the Bank of England and the Foreign Office, went on to say that even if the conditions were fulfilled, it was still possible the company would fail.

A senior Turkish government official has told the Financial Times that a rescue package was agreed in New York last Saturday after meetings between Mr Asil Nadir, Polly Peck's chairman, Mr Ozal, Mr Güneş Taner, the Turkish economics minister, and Turkish bankers.

The Bank of England yesterday sought to distance itself from the matter, saying it had merely supplied information to

Polly Peck Affair, Page 36

EC hint of compromise on farm policy raises trade talks hopes

By Tim Dickson and Kieran Cooke in Brussels and Nancy Dunne in Washington

A HINT of compromise in the European Community's stance on farm policy reform yesterday raised hopes of a successful outcome to the Uruguay Round of trade talks.

Completion of these talks, aiming to provide a framework for widespread liberalisation of world trade, by the December deadline, is heavily dependent on a resolution of the vexed EC-US dispute over agricultural subsidies.

In its first fully formulated proposal on farm supports, the European Commission indicated that it may be ready to show more flexibility on the key issue of export subsidies paid under the EC's Common Agriculture Policy.

The US in particular is strongly opposed to what it claims is the EC's unfair system of offloading its food surpluses on to world markets, thereby distorting international trade.

Washington has repeatedly called for the elimination of the support and subsidy payments which amounted to more than Ecu10bn ($13.3bn) from the EC's budget last year. A spokeswoman for Mr Clayton Yeutter, US Agriculture Secretary, welcomed the EC proposal as "a modest advancement".

However, she said it left "a large gap to be bridged in a very short amount of time".

She said that a US paper, to be submitted on October 15, would be "more forthcoming, more committed to reform and more market-oriented.

But, at least the EC has now put forward a document with specific details, and that's important since we have only a month and a half to negotiate."

The EC's complex set of proposals gave no commitment to removal of export subsidies but it indicated that there may be scope for modification of the system during the final stages of the General Agreement on Tariffs and Trade (Gatt) negotiating process.

The EC action is seen as something of a victory for those in the Commission – led by Mr Frans Andriessen, External Relations Commissioner – who have been pressing for a more conciliatory approach on agriculture.

The basic proposal for a 30 per cent reduction in overall farm support over the period 1986-96 put forward by Mr Ray MacSharry, EC Farm Commissioner, was unanimously endorsed by his Commission colleagues.

The US wants far larger cuts, of up to 70 per cent, in global farm subsidies.

Few American farm lobbyists were willing to comment on the proposal until they had time to study the details.

Mr Dale Hathaway, a widely respected former agriculture official and now a Washington consultant, said the basic issues of disagreement remained: the EC insistence on imposing tariffs on new products through "rebalancing" and the EC's unwillingess to impose controls on the number of products to be covered by export-subsidies.

"Rebalancing would be politically difficult for the US to accept," he said.

Talks fall behind schedule, Page 4; Commodities, Page 38

Weekend FT

Tomorrow: How Malcolm Forbes cashed in on his hit-list of the super-rich

●

Collectors' guide to New York art fairs

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President Aquino under siege from all sides

The Philippines' President Aquino (left) may have survived another bid this week to topple her fragile regime, but the serious issues which prompted it and five previous coup attempts still remain

Page 26

MARKETS

STERLING
New York:
$1.9145 (1.9015)
London:
$1.9115 (1.90)
DM2.9300 (2.9325)
FFr9.8250 (9.8275)
SFr2.4400 (2.4425)
Y255.75 (258.5)
£ index 93.7 (93.5)

GOLD
New York: Comex Dec
$396.9
London:
$397.0 (390.5)

N SEA OIL (Argus)
Brent 15-day Nov
$36.40 (35.1)

Chief price changes yesterday: Page 27

DOLLAR
New York:
DM1.5328 (1.54235)
FFr5.135 (5.17)
SFr1.2795 (1.2827)
Y133.7 (137.08)
London:
DM1.5335 (1.543)
FFr5.1400 (5.1725)
SFr1.2765 (1.2845)
Y133.85 (136.2)
$ index 61.7 (62.5)
Tokyo close: Y135.90

US lunchtime rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills:
yield: 7.36%
Long Bond:
$99\frac{3}{32}$
yield: 8.82%

STOCK INDICES
FT-SE 100:
2,070.4 (-16.6)
FT Ordinary:
1,601.5 (-17.7)
FT-A All-Share:
995.94 (-0.7%)
New York:
DJ Ind. Av.
2,516.83 (+27.47)
S&P Comp
313.19 (+1.79)
Tokyo: Nikkei
22,278.19 (-571.20)

LONDON MONEY
3-mo Interbank:
close $14\frac{23}{32}$-$14\frac{7}{8}$% ($14\frac{13}{16}$-$14\frac{7}{8}$)
Liffe long gilt future:
Dec $83\frac{13}{32}$ ($83\frac{3}{32}$)

EUROPEAN NEWS

More than 4,000 skilled jobs will go following agency's decision to shut Pentacon camera company

Treuhand makes clean sweep of its regional directors

By **Leslie Colitt** in Berlin

THE TREUHAND, the trust agency which oversees more than 8,000 former East German state companies, yesterday replaced all 15 of its regional directors in a sweeping reshuffle.

The announcement coincided with confirmation that the Treuhand is closing down Pentacon, Germany's largest camera company in Dresden.

Specially-recruited west German company executives have been appointed to succeed the previous Communist-appointed regional directors, several of whom were widely criticised for selling off assets to cronies. Ms Birgit Breuel, a member of the Treuhand board, referred to the newly-appointed executives as "pioneers" of German industry.

Ms Breuel, a former Economics Minister in Lower Saxony, said the new appointees to head the 15 regional branches of the Treuhand would be given wide-ranging decision-making powers and that only the largest and most important cases would be decided in Berlin.

"As much decentralisation as possible" was Treuhand's aim, she said. The branches were in charge of nearly 5,700 companies while 2,300 companies were overseen by the agency in Berlin.

The terminal condition of many former state enterprises was highlighted by the shutting down of the Pentacon camera company, formerly considered a "pearl" of East German industry.

The Treuhand's closure of what is the largest company yet to be wound up in eastern Germany entails the loss of more than 4,000 mainly skilled jobs.

The announcement by the Treuhand came only a day after German unification, but Mr Wolf Schöde, the agency's spokesman, denied suggestions that it had been purposely delayed until after the festivities were over.

Mr Schöde said the Treuhand had studied intensively over the past three months Pentacon's chances of survival on the world market. It conclude that even with heavy investments it could not be made competitive in the face of "overwhelming" Far Eastern competition. The company's widely-sold Praktica camera was designed to earn hard currency but did not come near to covering costs, he said.

Pentacon's closure is likely to heighten the widespread mood of despair in eastern Germany where unemployment is rising rapidly.

But it will almost certainly boost the Treuhand's reputation among western companies who have criticised it for a lack of decisive action.

Mr Schöde emphasised that Pentacon was not bankrupt and that a buyer for the company would be sought over the next six months. He noted, however, that one of eastern Germany's main semiconductor manufacturers in Frankfurt on the Oder, which was reported to have been in dire financial straits, was not in fact on the brink of bankruptcy.

● Unemployment is falling steadily in western Germany and rising sharply in eastern Germany, writes David Goodhart in Bonn.

In the west the number fell back to 1.72m or 6.6 per cent of the workforce in September. But in the east it jumped by 23 per cent to 444,000, or 5 per cent of the workforce. This excludes the 1.72m who are now on short-time work, of whom most are working less than half of the normal working week.

The western German economy has created an impressive 700,000 new jobs over the past 12 months, more than enough to absorb all the Germans from eastern Europe who have been flooding into the country.

The Federation of German Trade Unions complained yesterday to Mr Norbert Blüm, the Labour Minister, that employers were often skirting round the law to employ cheap workers from eastern Germany.

Meanwhile, the West German inflation rate touched 3 per cent in September for the first time this year, largely thanks to the rise in the price of oil. The rate for the year as a whole will remain just under 3 per cent.

Mitsubishi considers venture with Volvo

By **Kevin Done**, Motor Industry Correspondent, in Paris

MITSUBISHI MOTORS, the Japanese car-maker, is considering a joint venture with Volvo of Sweden to produce cars in Europe, Mr Masanao Ueda, the company's executive vice-president, said yesterday.

It was one of a small number of "very serious case studies" by Mitsubishi, which has been looking for a way into car production in Europe for the past three years. He hoped for a decision by the end of the year.

His remarks, made during the Paris motor show, come at a sensitive time, with the European Community in considerable disarray as it tries to formulate a policy for restraining Japanese car sales in Europe after the creation of the single European market in 1992. Five European countries currently limit Japanese car imports.

Earlier this week Mr Jacques Calvet, Peugeot's chairman and the most outspoken advocate of rigorous controls on Japanese imports, called for a halt to all negotiations with Tokyo on phasing out bilateral controls on imports. He also demanded a ban on any more Japanese car plants in Europe.

A Mitsubishi/Volvo assembly plant would have an eventual capacity of 200,000 cars a year but initial output would be much lower as such a volume "may be too big for our distribution," said Mr Ueda.

Mitsubishi's feasibility study is also sensitive for Renault, the French state-owned carmaker, which this year embarked on a far-reaching alliance with Volvo.

FROM ENMITY TO GOOD NEIGHBOURLINESS

The view of two chancellors

Chancellor Otto von Bismarck, in Reichstag, February 6 1888

When I say that we must always be prepared for all eventualities, I am voicing the expectation that we must make greater efforts than all other states devote to the same purpose. This is because of our geographical position.

We lie in the middle of Europe. We have at least three fronts for attack. France has only her eastern border, Russia only her western border across which she can be attacked. As a result of the whole development of world history, of our geography, and of the lower cohesiveness up to now experienced within the German nation compared with others, we are more exposed to the danger of coalitions than any other people.

God has placed us in a situation where we are prevented by our neighbours from in some way descending into sloth or dullness. He has placed to the side of us the most war-like and unquiet of nations, the French, and He has allowed bellicosity to rise up in Russia to an extent not seen in previous centuries. So we feel the spur from both sides, and are forced to carry out efforts which we perhaps otherwise would not make.

The pikes in the European pond prevent us ever from becoming carp, for they project their spikes in both our flanks; they force us into efforts to which we would perhaps voluntarily not be disposed; and they force us also to hold together as Germans: something which runs counter to our inner nature, for, otherwise, we like to go our own ways.

Chancellor Helmut Kohl, in Reichstag, October 4 1990

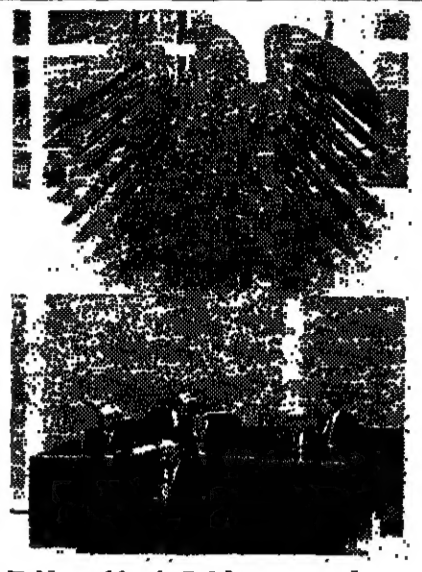
If we want to face up to the whole of German history, we must not leave out the darkest chapters. We must never forget, push aside or belittle what crimes were carried out by the Germans this century, and what pain has been inflicted on individuals and peoples. Only if we bear the burden together do we show ourselves worthy of liberty...

We were always aware that the German path to unity has raised questions among many people in Europe and elsewhere, and has led to disquiet and even fears. We understand and respect these fears. But we must also bear in mind the federal republic's experience during more than 40 years of stable democracy in a state governed by law. The coming years will demonstrate that the united Germany is a benefit for the whole of Europe.

Within Germany and outside, we strive to be good neighbours. Germany will not go down a special path; there will be no "go it alone" nationalism ... we want to serve the cause of world peace.

Our goal of European union should serve as a solid foundation for the growing together of the whole of Europe, and should also form its nucleus. Together with France, we are determined to create a European confederation, in which all states will co-operate on an equal basis...

German-Soviet relations will play a key role...President Gorbachev and I agree that the Germans and the Soviet people should inscribe a final line under the painful chapters of their history, and draw again on their good traditions.



Kohl speaking in Reichstag yesterday

Oslo expects greater oil dependence

NORWAY'S centre-right government yesterday proposed a budget which foresees greater reliance on cash from North Sea petroleum in 1991, while predicting that high oil prices spurred by the Gulf crisis could be temporary, Reuter reports from Oslo.

The budget would cut personal taxes, increase spending on environmental protection and freeze Norway's defence spending at 1990 levels. Taxes on alcohol and cigarettes, already among the highest in the world, would rise.

Mr Arne Skauge, the finance minister, unveiled the minority coalition's planned NKr356bn (£31.2bn) budget. He said it aimed to solve unemployment and slow growth in the country's non-oil economy.

Norway is the biggest oil producer in west Europe after Britain.

Including revenues from oil and gas, the proposed budget would have a 1991 deficit of NKr5.5bn, little changed from a NKr5.3bn shortfall in 1990.

The year-old minority coalition government has just 62 of the 165 seats in parliament and needs support from parties either to the left or right to pass its budget.

Brussels sees wide scope for energy saving

By **David Buchan** in Brussels

THE European Commission yesterday launched a new energy-saving campaign with a claim that better energy efficiency could cut Community consumption by 12 per cent, or 100m tonnes of oil equivalent.

Mr Antonio Cardoso e Cunha, the energy commissioner, said the so-called SAVE programme, in preparation long before this summer, had been made urgent by the Gulf crisis.

It was designed to upgrade energy efficiency requirements in technical standards, to encourage the financing of energy-saving investments and to mobilise energy users. He urged EC companies to emulate the Japanese in creating energy managers in their factories.

As a first concrete step, the Commission said it would ask EC governments to harmonise and upgrade their standards on the heating efficiency of industrial boilers.

At present, boilers of widely differing, and often low, efficiency can be freely sold around the Community provided they meet a minimum safety standard.

Berliners pick up the pieces after violent anti-unity clashes

By **David Marsh** and **Leslie Colitt** in Berlin

A FEW hundred yards from the flower-decked decorum of the Reichstag debating chamber, east Berliners yesterday contemplated the wreckage left by violence late on Wednesday night between police and anti-unity anarchists on the Alexanderplatz.

The police said 246 people had been arrested during the disturbances, though most were released yesterday morning. All windows in the big Centrem department store were broken, and damage was also done to banks and a large bookshop. West German Mercedes cars were set on fire, as well as at least one lowly east German Wartburg.

Many guests in the luxury east Berlin Grand Hotel discovered yesterday morning that the tyres of their limousines had been systematically slashed during the night.

The trouble-makers, mostly from the west of the city and from western Germany, represented only a small minority of the hundreds of thousands of Germans who enjoyed themselves peacefully on the Alexanderplatz on Wednesday.

None the less, anti-Berlin campaigners are likely to highlight the rioting as evidence of the danger of "mob rule" if the city eventually becomes the seat of the German government. Rejecting this view, Mr Hans Klein, the Bonn Information Minister, said yesterday that Berlin had shown conclusively that it could live up to the demands of three days of unity festivities.

The massive police presence on Tuesday night, as German politicians were shepherded to the Reichstag through a cordon of riot helmets, was reminiscent of the scenes in German cities a year ago during the peaceful demonstrations against the Honecker regime.

Mr Klein pointed out, however, that heavy security was necessary in other countries. He also recalled the mass poll tax demonstrations against Mrs Margaret Thatcher, the British Prime Minister, when Chancellor Helmut Kohl met her in Cambridge in March.

EUROPEAN NEWS

Soviet tanks 'moved east' to evade CFE treaty rules

By David White, Defence Correspondent

THE SOVIET army is believed to have shipped up to 7,000 tanks east of the Ural mountains in order to avoid having to destroy them under the CFE (conventional armed forces in Europe) treaty due to be signed next month.

The International Institute for Strategic Studies (IISS), in its latest "Military Balance", also cited reports that as many as 10,000 tanks had been collected near Kiev to be exported for scrap.

The geographical boundary of the planned CFE treaty – from the eastern side of the Atlantic to the Urals – is seen as one of its main potential flaws. Nato forces in North America are excluded in the same way as Soviet forces east of the Urals, but could be brought less rapidly into the European region.

The IISS believes the number of Soviet army tanks in the treaty area may now be 10,000 less than its published figures totalling almost 35,000.

The shipping of tanks out of the treaty area took place while Moscow was arguing for a larger share of the Warsaw Pact's allocation of tanks in the treaty negotiations in Vienna. Following recent meetings in New York, a compromise has been reached between Nato's desire to restrict the Soviets to 12,000 tanks in Europe – 30 per cent of the combined total – and Moscow's demand to keep at least 14,000.

Tanks and other equipment over the treaty limits will be scheduled for destruction. Nato, including the former German Democratic Republic, and the Warsaw Pact will each be limited to 20,000 tanks in the Atlantic-to-Urals region.

Nato is reported to have yielded to the Warsaw Pact's proposal of a similar 20,000 limit on artillery pieces. This is 1,500 more than Nato's current strength and compares with the 16,500-a-side limit the western allies were proposing until now. However, according to the British-American Security Information Council, an independent study group, the Soviets will be restricted to 33 per cent of the combined 40,000 total, a lower proportion than they were seeking.

The compromise on "sufficiency" rules – how much of the combined total of any weapon category may remain in the hands of one country – would involve an average of 33.7 per cent, the organisation said, citing a US official.

The main barrier to an agreement on limiting combat aircraft – the question of land-based aircraft flown by the Soviet navy – has also been resolved. Negotiators in Vienna still have to overcome difficulties about helicopters.

The IISS said the latest edition of its "Military Balance", the standard guide to the world's armed forces, would probably be the last to contain a separate section for the Warsaw Pact.

The Military Balance 1990-1991, IISS/Brassey's, £29.95/$44.95 or £59.95/$95.95 hardback.

One of the Soviet Union's top soldiers said yesterday he believed the Warsaw Pact would probably disband as a military organisation next year, Reuter reports.

Marshal Sergei Akhromeyev, an adviser to President Mikhail Gorbachev, told the German Communist Party daily Neues Deutschland that Nato should also relinquish its military role and concentrate on being a political body.

"I think that the Warsaw Pact as a military organisation will end its activities soon," he said. It was another matter whether it continued as a political organisation.

Oslo sees greater oil dependence

NORWAY'S centre-right Government yesterday proposed a budget which foresees greater reliance on cash from North Sea petroleum in 1991 while predicting that high oil prices spurred by the Gulf crisis could be temporary, Reuter reports from Oslo.

The budget would cut personal taxes, increase spending on environmental protection and freeze Norway's defence spending at 1990 levels. Taxes on alcohol and cigarettes, already among the highest in the world, would rise.

Mr Arne Skauge, Finance Minister, unveiling the minority coalition's planned NKr356bn (£31.2bn) budget, said: "One of the principal targets is to reduce the government's dependence on oil income."

He said the budget aimed to solve unemployment and slow growth in the country's non-oil economy. Norway is the biggest oil producer in west Europe after Britain.

Including revenues from oil and gas, the proposed budget would have a 1991 deficit of NKr5.5bn, little changed from a NKr5.3bn shortfall in 1990.

The year-old minority coalition government has just 62 of the 165 seats in parliament and needs support from parties either to left or right to pass its budget.

Gorbachev adviser warns of threat to Soviet economic reform programme

Russian spending plans attacked

By Quentin Peel in Moscow

Petrakov: Russian parliament "dangerously incompetent"

PRESIDENT Mikhail Gorbachev's economic adviser, Professor Nikolai Petrakov, has warned that hefty spending plans proposed by the Russian parliament could undermine the country's economic reform programme.

Only days after approving the plan for a 500-day transition to a market economy, which requires a brutal austerity programme to cut government spending, the Russian government and parliament had approved hefty meat price rises, and proposed a new deal on pensions, which would add some Rbs34bn to the state budget deficit, he said.

Accusing them of "dangerous incompetence," Prof Petrakov warned that it was now the parliaments, both of the Russian federation and the USSR itself, which were the greatest threat to economic reform, and not the government itself.

In an interview, he called for new talks between President Gorbachev and Mr Boris Yeltsin, president of the Russian parliament, in an effort to stop further undermining of the reform programme.

Prof Petrakov, who is a co-author of the 500-day plan and a member of the commission seeking to draft a common programme for the entire union by October 15, said the parliamentary confusion was a good reason for the economic reforms to be introduced by presidential decree.

He disclosed that decrees could be expected next week on both a new foreign investment code and on "the commercial rate of the rouble," almost certainly a long-awaited devaluation of the official rouble exchange rate.

Such a move would be intended to boost the competitiveness of Soviet manufactured exports, while it would also raise the rouble income to the state from oil exports, helping to reduce the huge budget deficit. That is expected to reach almost Rbs90bn this year, and could total Rbs340bn next year if the drastic austerity measures are not adopted.

The president's adviser said the Russian government and parliament had approved the meat price rise only four days after approving the 500-day programme last month.

The move had immediately caused meat shortages in the neighbouring republics of Ukraine and Belorussia, as farms shipped their meat to Russia to get the higher purchase price. To prevent a food war, the union Government decided last week to extend the price rise nationwide.

By raising state purchase prices for meat, but not allowing retail prices to rise at the same time, the measure would add Rbs15bn to the budget deficit in a full year, he said.

Now the Russian parliament was set to approve a pension increase throughout the federation – where more than half the Soviet population lives – which would add another Rbs19bn to state spending.

Prof Petrakov said the commission set up by the Supreme Soviet to finalise a single reform plan was attempting to accommodate proposals from all the union republics. It would also spell out a more precise timetable for the 500-day programme, at least month-by-month.

On the question of a referendum on land ownership, he said it was for the president to decide. However he suggested that a compromise, to introduce leasehold ownership in perpetuity rather than freehold ownership of land, might make a referendum unnecessary.

Poll fails to address crisis of identity

By Judy Dempsey in Vienna

A SENSE of what Vienna must have been like in the heyday of the Habsburg Empire is slowly returning to this rich and elegant city.

A cacophony of tongues fills the air. Buskers along Kärntnerstrasse, one of the main shopping precincts, sing in Polish, Czech, Serbian and Romanian. String quartets from Slovakia compete for schillings with accordion players from Montenegro. The city is full of sounds.

But for the Austrians, who go to the polls on Sunday, the influx of their east European cousins into this well-heeled city is far from welcome.

The fate of these impoverished visitors has become one of the issues in an election campaign which has failed to address the single most important topic in the country's post-war history: what role can Austria play in Europe now that the Cold War is over and Austria can no longer claim to provide the bridge between east and west?

Across the political spectrum, from the far-right Freedom Party, led by Mr Jorg Haider, the conservative People's Party under Mr Josef Riegler, to the socialists under Chancellor Franz Vranitzky, politicians have shied away from confronting the changes taking place in Europe.

Instead, a nation which is experiencing much-envied economic prosperity, coupled with low inflation and unemployment, is confused and troubled about its future.

It is not just because the borders with their eastern neighbours have all-but disappeared. It is because the *sozialpartnerschaft*, the special social partnership forged between trade unions and political parties is breaking down. The post-war consensus is coming to an end.

That consensus, born initially out of the bitter civil war of 1934, and nurtured after the Second World War when Soviet troops occupied parts of Austria, sought to suppress conflict.

Instead of parliament becoming a genuine debating chamber, all decisions were thrashed out behind closed doors between the Socialists and the People's Party. Most jobs, from bank directors and factory managers, to professors and teachers were divided between the socialist "reds" and the conservative "blacks", as they have always been known.

Membership of either party was almost compulsory to gain promotion. Indeed, Austria has one of the highest per capita party membership rates in the western world.

But while the consensus maintained stability, it weakened the political direction of the two parties which have formed the socialist-led government coalition since 1987.

The socialists will probably scrape home with the most seats on Sunday, but not because of their popularity. The party is ideologically divided, burdened by corruption scandals and uneasy about making the transition from a socialist to a modern social democratic party. It is kept together by the 53-year-old chancellor who commands nationwide support. Without Mr Vranitzky, the party would probably drift into oblivion.

The People's Party is in no better shape. Mr Riegler, 52, has failed to persuade voters that he is chancellor material. In addition, he has failed to shine as vice-chancellor, since he remains under the shadow of the articulate Mr Vranitzky.

However uneasy the coalition, both parties are determined, if not destined, to remain together. For them, the surge of support for the "blues", the political colour of the Freedom Party, can no longer be ignored.

Since 1987, Mr Haider's Freedom Party, once a political nesting home for former Nazis, has eaten into the "black" conservative vote in local government elections. At the last elections in 1987, the party gained 8 per cent of the vote. On Sunday, it is expected to win between 16 and 20 per cent, with the Socialist and People's parties each battling for 35 per cent.

The Freedom Party's success stems from the personality of the 40-year-old Mr Haider. He is a populist who speaks out for the "small people". He attacks the *parteibuch*, which amounts to compulsory party membership in all unions and associations; he challenges the way decisions are made in "red Vienna"; above all, he taps the latent anti-foreigner feelings of many Austrians.

The Freedom Party sparked off the debate about stemming the flow of east Europeans into Austria, a debate which the socialists, in order to gain votes, joined. In doing so, Mr Haider publicly articulated sentiments which until recently were suppressed.

His party may gain enough seats to persuade some People's Party rank and file into considering a coalition with him. The cost would be high, according to Viennese intellectuals across the political divide. They say that such a coalition, fuelled by nationalist and xenophobic sentiments, would undermine Austria's attempts at forming a coherent policy towards the new eastern Europe and Europe as a whole. The current coalition, they add, is the only option.

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GM chief opposes Japan car import curbs in Europe

By Kevin Done, Motor Industry Correspondent, in Paris

MR ROBERT EATON, president of General Motors Europe, said yesterday it was "an illusion" to assume that protectionist measures against Japanese car sales in Europe would succeed in the long term.

He believed the European car industry "may require a transitional period before liberalisation of Japanese imports in restricted markets can take place."

Mr Eaton's remarks underline the differences between car makers in Europe in formulating a policy for Japanese car sales after the creation of a single market in Europe. The single market implies the removal of bilateral controls on Japanese car imports in France, Italy, Spain, Portugal and the UK.

He said GM would not oppose a transitional agreement in view of the many years that Japan had closed its borders at the expense of the European and American car industry.

GM was putting its prime emphasis, however, "on closing whatever efficiency gaps might exist *vis-à-vis* the Japanese competition and on getting ready to take them on in the market," he told a conference of motor industry financial analysts at the Paris motor show.

GM, the world's largest car maker, holds a share of more than 11 per cent of the west European car market.

Earlier this week Mr Jacques Calvet, the hard-line protectionist chairman of Peugeot of France, the third-placed car maker in Europe, enflamed the debate with a call for a halt to all negotiations between the European Commission and Tokyo on phasing out import controls.

He demanded a ban on the building of any new Japanese car plants in Europe and a cut in production volumes at the three plants being developed in the UK by Nissan, Toyota and Honda.

Quotas on Japanese car sales in the EC should be maintained for at least 10 years from the beginning of 1993, with the possibility of a further extension beyond the year 2002, if the Japanese failed to show "reciprocity".

Mr Eaton said "many European plants are not yet ready to compete head-on with the Japanese in a truly open market".

"In the end, the Japanese will wait until the rules are set and then do what they have to do."

● The creation of a single market in Europe should mean added growth and incremental demand for about 1m cars a year in the EC by the year 2000, said Mr Eaton. GM was currently forecasting a growth in new car sales in western Europe to 14.4m in 1995 and 15.7m in the year 2000 compared with sales last year of 13.4m.

● Toyota, the Japanese car giant, has bought land near the city of São Paulo in Brazil, and may build a car manufacturing plant there, Victoria Griffith reports from São Paulo.

Toyota bought the Dom Bosco farm late last week from the brothers Clóvis Antonio Cabrinõ and José Carlos Cabrinõ, who also own a car-parts dealership in the area.

The exact cost of setting up a car manufacturing plant in Brazil is not certain, but is estimated at up to $2bn.

Cabrinõ and Toyota have both refused to name the price of the farm, saying only that it was purchased at "market value".

The Japanese company confirmed the purchase, but said it had not yet committed itself to building a car plant on the land. Dom Bosco is in the town of Indaiatuba, 68 miles north-west of São Paulo.

Modest venture with revolutionary results

Foreign enterprise helps bring change for Soviet women, writes Anthony Robinson

IN ITS own quiet way Femtech, a modest joint venture between the UK subsidiary of the US Tambrands company and the Soviet health ministry, represents a revolution in the sensibility of Soviet officialdom to the long-ignored needs of Soviet women.

The Soviet Union's first tampon factory, in a country where birth control means eight abortions in the life of the average Soviet woman and public toilets are both rare and primitive, represents real progress.

Thanks partly to lobbying by Mrs Margaret Thatcher, the British Prime Minister, the shell of a partly-completed machine factory near Kiev airport was turned over to the joint venture partners in 1988. It now turns out 70,000 cases containing 144 packets of tampons a year, a miniscule proportion of potential demand, but a start.

It is one of only four operating joint ventures in the Ukraine, although Mr John Cockburn, who is setting up office for accountants Ernst and Young, is working on the assumption that other western companies will soon move into the second-largest and populous of the 15 Soviet republics heading for greater independence.

Femtech was formed under the original joint venture legislation which insisted on majority Soviet participation. The Soviet partner, the health ministry department responsible for all chemist shops, holds a 51 per cent share. It acquired the land and buildings, bought vehicles and put up part of the working capital. Tambrand's £6m investment to date includes the imported machinery and materials – from specially treated absorbent cotton to packaging.

The Soviet Union's first tampon factory, in a country where birth control means eight abortions for the average Soviet woman and public toilets are rare and primitive, represents real progress

Under revisions to joint venture legislation foreign companies are now able to take majority stakes and will soon be able to set up wholly-owned subsidiaries in the Soviet Union.

But in this case both sides stress the importance of support from a strong Soviet partner with contacts and practical working knowledge of how to secure supplies and open doors.

Mr Yuri Saakov, the Soviet general manager worked for 20 years as a foreign trade official "a comfortable life with regular hours and Rbs600 a month". Now, he says, "I don't sleep and never take holidays. Instead of orders handed down the hierarchy we have to take our own decisions, without any subsidy from the state to bail us out if we make mistakes."

Less than 18 months after start-up, productivity of the 195, mainly female workers is "better than our plants in China, Ireland and France and similar to the UK and the quality is up to our worldwide standard", says Mr Gary West, the American deputy general manager.

He looked for cleanliness, intelligence and the age of a woman's last child in choosing what has turned out to be a stable, contented and productive workforce. The twin production lines, in a warm, well-lit and clean environment hum with quiet efficiency. On top of an average monthly salary of Rbs232, above the Soviet average, all workers get a 50 per cent monthly bonus and two free packets of tampons. Each packet is priced at Rbs2.50 but fetches 10 times that on the black market.

Soon, however, Femtech could be facing its moment of truth. Until now around 65 per cent of the raw materials and packaging have been imported "effectively turning good money into bad", as Mr West puts it.

Next year the target is to raise production from 70,000 to 150,000 cases based on 90 per cent locally-produced inputs. Then Femtech hopes to export both processed cotton rolls and up to a third of the finished product to the UK and other western markets for hard currency.

The fate of many a joint venture could hang on the way policymakers react to the need for joint venture partners to make hard currency profits if they are to expand their operations

A Soviet-owned factory 130 miles away at Cherkassia has already been equipped to process cotton from Uzbekhistan. This has been supplied to the Ukrainian factory through a crude barter swap of Ukrainian wheat for cotton. But in the new climate of republican economic nationalism the Uzbekhs are demanding hard currency payment, which defeats the object of earning hard income profits from the joint venture.

With cotton in union-wide short supply Femtech also faces opposition to its planned export of processed cotton rolls. This is despite research which shows that the average Soviet woman uses 16 grammes of cotton wool for her home-made sanitary pads compared with only 3 grammes in every tampon.

"Even though we exported bleached cotton fibre to recoup hard currency the Soviet Union would still save on cotton by wider use of our tampons," Mr West argues.

Such rational calculations have not been part of the average Soviet planners armoury. It could get even more complicated as economic decision-making devolves from the centre to republican, local soviet and factory level, as proposed by the recently-adopted plan for a 500-day crash transition to a decentralised market system.

The fate of many a joint venture could hang on the way policymakers react to the need for joint venture partners to make hard currency profits if they are to expand their operations.

Talks on farm trade fall behind schedule

By William Dullforce in Geneva

TALKS ON world farm trade reform have started to fall behind the timetable set by the Uruguay Round's governing Trade Negotiations Committee in July. This aimed at achieving results by early December, when trade ministers are due to meet in Brussels to conclude the Round.

By yesterday, when the group negotiating on agriculture reconvened, only 11 countries had submitted the lists of their farm supports which should have been with the Gatt secretariat on October 1.

The 11 countries which had submitted their lists were Argentina, Australia, Austria, Canada, Finland, Japan, New Zealand, Singapore, Sweden, Switzerland and Uruguay. The most noticeable absentees were the European Community and the US, the leading players in the talks.

Not all the lists tabled comply with the formula laid down by Mr Aart de Zeeuw, the chairman of the farm talks, and the Gatt secretariat.

Japan, for instance, has not disclosed its supports for rice and for a number of meat and cereal products.

October 15 is the crucial deadline by which countries have to table their programmes for liberalising their farm regimes. The country lists due on October 1 were intended to form an information base for the complicated give-and-take exchange of concessions. Had they been submitted in time, the negotiating group could have started to decide on the mechanisms to be used in organising reform.

A senior US official said the US lists had been handed to Mr de Zeeuw but Washington was reluctant to allow them to be circulated, until it was evident that other countries were ready to follow the formula set by the Gatt secretariat.

The European Community said its lists would be tabled shortly, together with the proposals for reform that EC farm and foreign ministers were expected to approve next week.

Eximbank completes its busiest year in a decade

By Nancy Dunne in Washington

THE US Export-Import Bank, one of the Reagan Administration's most unwanted stepchildren, has just completed its most active year in a decade.

In the last days of the fiscal year, the agency's press office was kept busy with a multitude of announcements, including: two guarantees – one, for $1.37bn, the largest ever granted – for sales of defence equipment to Turkey; $200m-worth of credit lines to Central America; a $125m tied-aid credit facility for the Philippines; the first use of its long-awaited interest rate subsidy scheme; and a large expansion of its medium-term "bundling" guarantee facility which backs Mexican paper on the capital markets.

Under the bundling programme, announced last March, Mexican companies are getting medium-term US dollar financing from Mexican banks for purchases of capital goods, quasi-capital goods and related services. The Mexican banks draw on an Eximbank line of credit from a US bank to finance individual Mexican purchases. Once the drawings reach a sufficient total value, they are "bundled" into Eximbank-guaranteed notes and used for access to US capital market financing.

According to Mr Eugene Lawson, Eximbank vice-chairman, the "bundling" programme has so far sold $340m in notes, and another $370m in sales is pending.

Prodded by legislation passed this year, the agency broke with long-standing tradition to give approval for a $1.37bn guarantee to back the $1.6bn sale of 200 helicopter kits to Turkey.

In this case, and for a separate $55.4m sale to Turkey of modular control and automatic tracking equipment for radar, the bank made an exception to what it still considers to be the rule against support of defence sales.

Eximbank has begun its own "pro-active" mixed credit programmes to tie commercial exports to foreign aid.

In many cases it has joined forces with the Agency for International Development (AID), the US foreign aid agency. Four $125m guarantee facilities for the Philippines, Indonesia, Thailand and Pakistan have won preliminary approval for sales to the power, telecommunications, construction and transport sectors.

The Philippines facility is now operating, and the programmes for Indonesia and Thailand are expected soon. For the Philippines, Eximbank will guarantee $81.25m in loans by commercial lenders and provide $13.75m from a special Tied Aid Credit Fund. AID has made $30m in grants available.

Another $24.7m mixed credit was announced this week to finance the sale of air traffic control equipment by Westinghouse Electric to Morocco's Ministry of Finance.

Demand for Eximbank loans has far exceeded supply this year with the agency committing $160m more than it has.

Ericsson wins three orders

By John Burton in Stockholm

ERICSSON, the Swedish telecommunications company, has announced three orders totalling SKr1.6bn (£147.7m) for cellular telephone systems in the US, Mexico and Singapore.

Ericsson said that it would become the biggest supplier of cellular systems in the US in terms of number of subscribers with a SKr1bn order from McCaw Cellular Communications and its subsidiary, LIN Broadcasting, for networks in the New York and New Jersey metropolitan area and in Seattle and Portland. The systems will be supplied by Ericsson's US mobile communications joint venture with General Electric.

The SKr400m Mexican order is for the supply of cellular service to the cities of Guadalajara and Monterrey. Ericsson will also deliver a mobile telephone system to Singapore under a SKr205m deal.

AMERICAN NEWS

US semiconductor makers urge new pact with Japan

By Louise Kehoe in San Francisco

US semiconductor and computer manufacturers are taking a united stand in urging the US government to seek a new five-year semiconductor trade agreement with Japan, to begin when the current highly controversial 1986 pact expires next summer.

In meetings with Mr Robert Mosbacher, the US Commerce Secretary and Mrs Carla Hills, US Trade Representative (USTR), the industry groups called for a new trade agreement that would expand foreign access to the $20bn Japanese semiconductor market.

The initial reaction of the government officials was "very positive", said Mr Wilfred Corrigan, chairman of the Semiconductor Industry Association, and chairman and chief executive of LSI Logic, a Silicon Valley chip manufacturer.

The US computer and semiconductor manufacturers have long been at odds over Japanese semiconductor trade issues. Computer manufacturers complain that anti-dumping measures incorporated in the current bilateral pact have forced a significant rise in prices of Dynamic Random Access Memory (DRAM) chip, most of which they buy from Japan.US chip makers have maintained, however, that strong anti-dumping measures are essential.

Working through two trade groups, the Semiconductor Industry Association and the Computer Systems Policy Project, the industry sectors have now arrived at a compromise.

Under the current agreement, the US expected foreign semiconductor sales to grow to 20 percent of the Japanese market by 1991. That target is unlikely to be met before 1992, at current rates of progress, US semiconductor makers acknowledge. They propose that in 1993 the governments negotiate a new, higher target.

The industry groups also propose that the current system setting "fair market value" prices for Japanese memory chips and requiring regular reporting of Japanese prices be dismantled. Instead, the US Commerce Department would have "fast track" access to Japanese pricing data if a dumping complaint were filed. The proposals appear moderate, compared to earlier industry calls for increased sanctions against Japan.

Brazil poll strengthens support for Collor

By Simon Fisher
in Rio de Janeiro

PRESIDENT Fernando Collor de Mello, who until early last year was a little-known regional politician, looks likely to have the support of about half Brazil's 503-member Chamber of Deputies and most of the 27 state governors after Wednesday's elections.

However, the poll for senators, congressmen and state governors appears to have bolstered the traditional power of regional strongmen, whose appeal is based on patronage rather than ideology.

The final composition of federal and state legislatures will not be known for about two weeks, and candidates for governors who fail to secure an absolute majority will face a second round of voting at the end of next month.

Nevertheless, exit polls indicate that the minority government of Mr Collor is likely to be able to bargain federal resources with many of the winners, in exchange for political support.

The results may disappoint those who hoped that Brazil's transition to democracy would also imply political modernisation, but it is a result the administration can work with.

Cable television operators block Senate drive to tighten curbs

By Peter Riddell

ATTEMPTS to impose tighter regulation on rates charged by US cable television companies and to stimulate increased competition have been blocked, for this year at least, by cable operators and their Senate allies.

The widely backed legislation was a response to excessive increases in rates and poor service in many areas since the deregulation in 1984 of what has become an $18bn (£9.5bn) industry.

Opposition has been led by Senator Tim Wirth of Colorado, the state in which Telecommunications Inc is headquartered. Its political action committee and senior executives have been big financial contributors to the senator.

The main argument has been over proposals to give competitors of cable – such as satellite services – improved access to programmes developed by cable networks. The Senate plan would have prevented cable operators that produce programming from discriminating against such competitors.

The Bush administration threatened to veto the Senate version, as it opposes re-regulation of cable rates, the access provisions, and limits on the size of cable companies.

The House passed a version restoring some regulation of basic cable rates, setting service standards and barring cable operators from unreasonably refusing to deal with competitors.

But, unlike the Senate version, it would have allowed cable companies to produce exclusive programming, notably with video companies, as long as this did not significantly impede competition.

The measure is, however, certain to be revived next year when the separate issue of entry of telephone companies into cable programming is likely to be raised.

Chile's monthly inflation at six-year high

CHILE'S monthly inflation rate soared in September to 4.9 per cent, the highest monthly figure in six years, as a result of rising oil prices, Leslie Crawford writes from Santiago.

September's increase was more than double the August rate of 2 per cent and brought the inflation rate to an annualised 29.3 per cent.

Chile, which has only a few depleted oil fields in the Magellan Straits, imports 85 per cent of its oil. The government cautiously raised the domestic price of petrol and other oil derivatives by 25 per cent in late August, when the price of crude began to rise.

Officials at the National Statistics Institute say this accounted for more than half last month's inflation increase.

Since then the price of oil has briefly exceeded $40 a barrel, forcing ENAP, the state oil refinery, to subsidise local prices to the tune of $1m a day.

Mr Juan Hamilton, mining and energy minister, said yesterday the situation had become unsustainable. He hinted that further stiff price increases were inevitable.

President Patricio Aylwin and members of his cabinet were holding an emergency meeting yesterday to formulate a response to the continuing volatility in oil markets.

Since the beginning of the year, the central bank has held the economy in a tight monetary grip to bring inflation down. But the rate is now back to levels reached in the final months of 1989.

David Duke in his Ku Klux Klan robes during a visit to Britain in 1978, which sparked a row over UK immigration controls

Former klansman puts a new face on racist past

Lionel Barber on a controversial candidate for the US Senate

MR David Duke, former Grand Wizard of the Ku Klux Klan and unofficial Republican candidate for the US Senate, is deadly serious when he assures Louisiana voters that man can be created anew.

Cosmetic surgery has recast his chin and rendered his face as smooth as porcelain. Matched with his blond, blow-dried hair, red tie, and dark blue suit, the effect is to make Mr Duke look like the average TV-friendly politician in this year's mid-term elections.

On Tuesday night Mr Duke appeared before a crowd of 350 men and women in the Yellow Rose beer parlour on the outskirts of Lafayette, some 50 miles west of Baton Rouge. He spoke in a calm, reassuring voice which smoothed over a simple, if alarming, message; that all of America's problems, from crime, education and drugs, stem from the welfare system and the burgeoning – predominantly black – underclass.

"Working families are paying for illegitimate kids," he said, as a low chant of "Duke, Duke, Duke" spread across the saloon. "These people are having children faster than they can raise your taxes to pay for them."

Mr Duke's assault on the welfare system has drawn charges of racism and bigotry. But his theme has proved so successful that he has raised more than $2m (£1m), burying the officially endorsed Republican candidate and putting himself in a position to embarrass Senator Bennett Johnston, the incumbent Democrat, in tomorrow's primary election.

If the latest polls are correct, Mr Duke, 40, stands to win a bare majority of the white vote. This is not enough to win, as one in four registered voters is black. But it could deprive Mr Johnston, 58, of the clear majority he needs to avoid a run-off in November.

The Duke crusade would then continue, damaging the Republican Party's hopes of broadening its base among moderate whites and blacks in the south.

The latest Mason Dixon poll puts Mr Johnston – an intelligent, hard-working if bland politician who has served for 18 years in the US Senate – slightly over the magic 50 per cent mark.

However, Mr Duke's supporters say there is a hidden vote.

Few people in the Yellow Rose saloon were willing to be quoted by name. Even fewer were prepared to guarantee they would vote for a man who until last year was selling Nazi literature from his bookshop, is a founder member of the National Association for the Advancement of White People, and penned pseudonymously a sex manual for women entitled Finders Keepers.

But voters in the US are in a sullen mood these days. Mr John Silber's upset victory in the Democrat primary election in Massachusetts last month showed the power of an outspoken outsider running an anti-establishment campaign in a recession-hit economy.

In Louisiana Mr Duke's coded rhetoric on race, crime and the underclass feeds a growing middle class economic resentment. He is a sugar-coated version of George Wallace.

Although unemployment in Louisiana has more than halved since the oil-bust of the mid-1980s, most of the improvement is due to people leaving the state; the jobless rate, at close to 7 per cent, is still the highest in the US. Even more important, living standards are falling among the lower middle class.

Mr Lawrence Powell, a history lecturer at Tulane University, points out that incomes among oil, gas and construction workers have dropped by between 30 and 50 per cent in Jefferson Parish, the New Orleans suburb which last year elected Mr Duke to the state legislature and gave him a veneer of respectability.

Economics does not fully explain the depth of Mr Duke's appeal. The real story is that his official positions are only a few steps ahead of the conservative wing of the Republican party.

Just as President Ronald Reagan in his 1984 campaign denounced the "welfare queen" of New York – a woman who did inordinately well out of the benefits system – Mr Duke relates the story of the family in New Orleans whose single

US MID-TERM ELECTIONS

mother and three teenage daughters are all pregnant by the same man.

Mr Duke's denunciation of affirmative action programmes for blacks – "we demand equal rights for whites" – is the more explicit version of the assault on the civil rights legacy which the Republicans have exploited to win five out of the last six presidential elections.

Mr Duke's skill has been to hone down his old racist ideas – tax deterrents to breeding by the lower class, matched by incentives for the genetically superior – into more acceptable policies, such as drug testing and mandatory instruction on contraception for welfare recipients. "My positions have evolved," he said in an interview this week. "In the past I was too shrill, too intolerant."

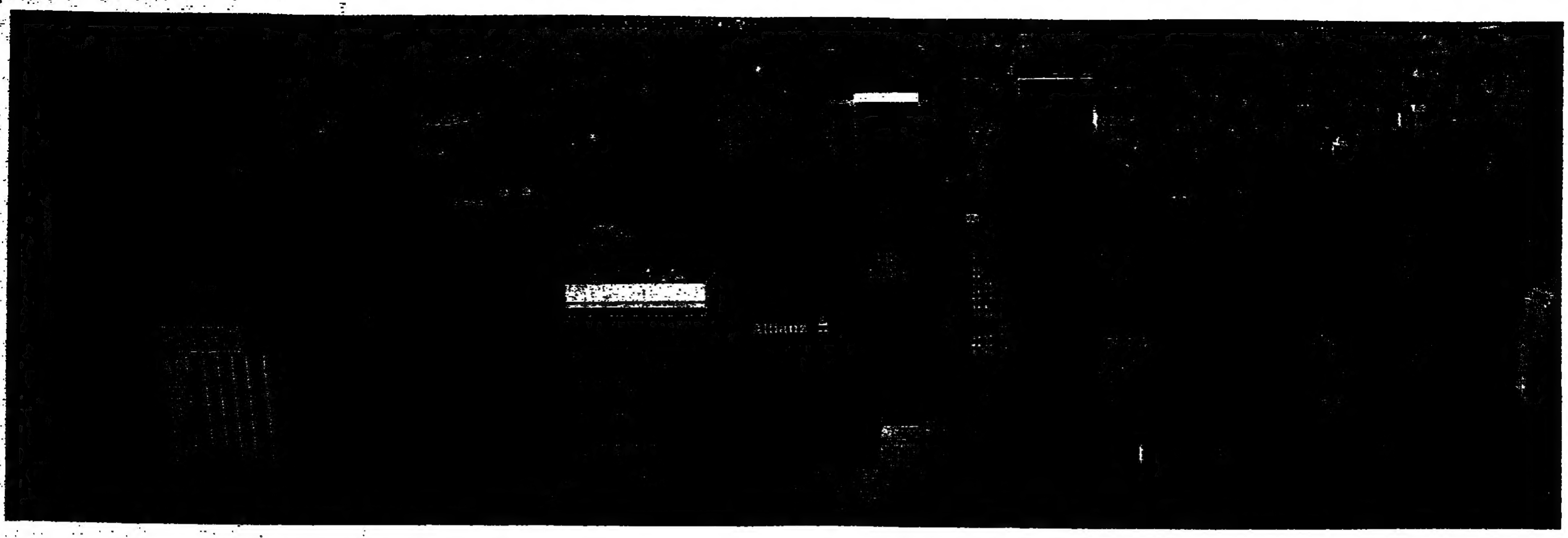
He confesses to admiring Mr Enoch Powell ("the first British politician to see the threat of immigration"); he likes Tom Wolfe's Bonfire of the Vanities ("the greatest synopsis in fiction of the decay of the west"); and his taste in classical music is a little suspicious. Why should a man play Richard Strauss's Also Sprach Zarathustra on declaring his candidacy for US Senate?

Belatedly, Senator Johnston has recognised he is in the fight of his life. Six Republican senators have denounced Mr Duke and declared themselves in support of their Democrat colleague.

A recent Democratic TV "attack" advertisement shows Mr Duke standing in front of a burning cross uttering the words "white power" – a damning shot which some say should halt his rise in the polls.

Victory for Mr Duke in November seems an impossibility – but he will not go away.

He does not rule out running for governor – or even for president, two previous efforts notwithstanding. Either way, he says his campaign themes have helped widen the debate and forced both Democrats and Republicans to address the taboos of race, welfare and the underclass. He just may be right.



The Iraqis have brazenly looted cars, airliners, gold, even football stadium seats, reports **Robert Graham**

The rape of a nation: inside Kuwait today

AS THE Iraqi occupation of Kuwait enters its third month, the occupying forces have become more brutal. A growing batch of administrative measures are pushing through an aggressive "Iraqisation" of the country as life in Kuwait City deteriorates.

Armed resistance by the Kuwaiti underground has been ruthlessly suppressed. Since mid-September the emphasis of resistance has shifted to ensuring a tightly-run policy of non-co-operation with the Iraqi administration, organising escape routes for those sought by the Iraqis and supplying intelligence to the US-led multinational force in Saudi Arabia. The exodus of Kuwaitis and others has been reduced to a trickle.

Ever since the August 2 invasion, Iraqi troops have conducted a wholesale rape of the state. Although not systematic, Iraqi policy has three prongs:

- Kuwait's full annexation is being emphasised by forcing Kuwaitis to assume Iraqi citizenship and by dividing up the state into two new administratrive provinces of Iraq.
- 2The country is being deliberately run-down – either to allow Kuwait to be on the same economic footing as Iraq, or, in the event of an Iraqi withdrawal, to leave a ruined shell.
- 3All vestiges of the ruling al Sabah family have been removed and the occupying forces are seeking to exploit the differences between the Kuwaiti and non-Kuwaiti population, especially the large resident Palestinian colony. Iraqis are also being settled in Kuwait. The aim is to ensure a strong permanent pro-Iraqi segment of the population. In the event of an Iraqi withdrawal, Baghdad hopes this new political grouping would remain a destabilising force capable of curtailing al Sabah authority, encouraging similar movements elsewhere in the Gulf.

POPULATION: Of the 1.9m pre-invasion population, 750,000 were Kuwaitis and 1.15m non-Kuwaitis. Roughly 160,000 Kuwaitis were outside the country on August 2. Since then at least 130,000 have left, most to Saudi Arabia where the al Sabah family has established a government-in-exile at Taif.

Kuwaitis, particularly men aged between 17 and 47, find it almost impossible to leave with their existing documents. On this basis the London-based Committeee for Free Kuwait estimates the Kuwaiti population has now stabilised inside the country at around 500,000. Others suggest the figure may be below 400,000.

Of the non-Kuwaitis, at least 100,000 Egyptians, Syrians and other Arab nationals have left and others are still trying to leave. The same applies to Bangladeshis, Indians, Pakistanis, Filipinos, Sri Lankans and Thais. Western women have been evacuated and the remaining western men are either in hiding or have been taken prisoner.

Meeting the troops: Saddam Hussein in Kuwait on Wednesday

Up to 100,000 of the 330,000 strong Palestinian community departed in the aftermath of the invasion but some have returned because they have nowhere else to go.

ADMINISTRATION. The border area with Iraq has been incorporated as an extension of Basra province and renamed Saddamiyat al-Mitlaa – suggesting an eventual Iraqi fall-back position. Kuwait City (renamed Kadhima) and its suburbs has since August 28 been incorporated as the 19th province of Iraq. The governor is Ali Hassan al-Majid, Iraq's minister of local government, a cousin of President Saddam Hussein with a sinister reputation for his brutal dealings with the Kurds. Though a civilian he has authority over all the military commanders and is backed by Mr Abdul-Jaber al-Ghani al-Douri, former Iraqi ambassador to Bonn, who allegedly co-ordinated the purchase of materials for chemical and nuclear weapons. Kuwait time has been standardised with Iraq. (Kuwaitis who do not comply get their watches smashed). Street names have been changed and huge portraits of Saddam Hussein have been posted. The city itself has been divided up into military zones. These cover three residential zones each with a population of some 15,000. There are estimated to be 430,000 Iraqi troops within the state and the Iraqis are employing a mixture of regular forces and their intelligence services to control the city as well as political commissars from the ruling Iraqi Baath Party. Co-ordination between the respective zone commanders is poor because of the vertical and bureaucratic nature of the Iraqi command structure. Soldiers continue to rely upon either looted supplies or forcing Kuwaiti families to feed them for sustenance.

The Iraqis have brought in an unknown number of Palestinian fighters from Iraq (possibly as many as 4,000). This Palestinian presence appears intended to convey the impression that the Palestinian population endorses the Iraqi annexation. Early reports of Palestinian collaboration were exaggerated.

RESISTANCE: The Kuwaiti resistance movement has been hit hard. No reliable figures are available for casualties but a minimum of 1,200 dead is considered reasonable. The difficulties of operating in an easily controlled city coupled with savage Iraqi reprisals (summary executions, the razing of houses and threats to kill those harbouring suspects) has forced the resistance to revise tactics.

It is now operating underground. The immediate strategy is to ensure that the population pursues a policy of non-co-operation by such actions as staying away from work or destroying copies of the pro Iraqi al Neda newspaper. The resistance also helps in the distribution of food, collects intelligence, hides or helps the escape of both foreigners and Kuwaitis wanted by the Iraqis and prints clandestine leaflets. The Iraqis have reacted by concentrating on house-to-house searches for arms, typewriters, photocopiers, communications equipment – and foreigners. The death penalty exists for hiding foreigners. Telephones remain cut. There are also increased reports of men being taken away for torture and intimidation for up to three days to sow a climate of fear. Movement between residential zones has become difficult and a night curfew is in force.

As of October 6 all Kuwaitis are obliged to obtain an Iraqi identity card. Kuwaitis can only withdraw money from bank acounts on presentation of an Iraqi identity card and all Kuwaiti civil servants are expected to sign a contract binding them to work for the Iraqi state on similar conditions as their Iraqi counterparts. Those leaving the country are stripped of their Kuwaiti passports.

LIVING CONDITIONS: Electricity and water are available, though cut to all foreign embassies which Iraq no longer recognises. The annual overhaul of the desalination plants however is overdue and residents have to boil water. Fresh fruit and vegetables are unobtainable; but adequate stocks of basics plus canned food remain and these are being distributed by Kuwaiti neighbourhood committees.

A number of banks remain notionally open. But the amount Kuwaitis are allowed to withdraw has been cut from an initial 250 dinars a month to 225. The banks are mainly being used by non-Kuwaitis who are suffering greater hardship. All have suffered from the enforced parity of the Iraqi dinar with the Kuwaiti dinar. Before the invasion the harder Kuwaiti currency was worth 20 Iraqi dinars. A black market rate of five to one exists, largely because in Saudi Arabia the Kuwaiti dinar is treated as legal tender at its pre-invasion value.

Rubbish is being burned where possible by neighbourhood committees. But health care is rapidly declining. Valuable hospital equipment and stocks of drugs and medicines have been removed to Iraq. Kuwait's five general hospitals and eight specialised hospitals have either been looted by the Iraqis or are run with reduced staffs. The Iraqi military have taken over the city's orthopaedic hospital, the el-Adan hospital and are in the process of commandeering the main hospital, the Mubarak el-Kebir.

DAMAGE: At the individual level, private homes have been brazenly looted. Homes are sized up and then revisited on three or four occasions. The officers tend to take small easily pocketables like gold and jewelry; the troops loot electronic goods. Of late, the Iraqis have begun to remove more substantial household contents in trucks. Car theft is universal. At least 50,000 cars worth $1bn have been stolen.

The central bank has reportedly had $500m removed in gold and a similar amount in banknotes and other securities. The gold souk has been ransacked. Public buildings and installations have been systematically pillaged, their contents removed to Baghdad. Having first gone for high-technology equipment and food stocks, or items like the 15 Kuwait Airways aircraft at the airport and Kuwait's military materiel, attention is now turned to schools, libraries and even the seats of a football stadium. The city has been deliberately allowed to deteriorate. Constant use of streets and fly-overs by tanks and tracked vehicles has cracked bridges and torn up highways.

OIL INSTALLATIONS: No serious damage has been reported to oil production facilities, tank farms or the three refineries. But with oil exports halted since the invasion, there are concerns about maintenance. Kuwait is losing $1.5bn a month through frozen oil exports.

The Iraqis have planted mines and attached explosives to and around all key oil installations. Kuwait's three sophisticated refineries can refine 800,000 barrels of crude a day and have a replacement cost of at least $10bn. Within the past ten days, the Iraqis have constructed at least one pipeline from the oil fields to the export loading terminal at Ahmadi. This goes directly into the sea. It is now thought the pipeline is intended to flood the sea with oil. This could then be ignited if necessary.

Additional research by Tony Walker

Hurd urges plan for Mideast peace

By Robert Mauthner, Diplomatic Correspondent

THE five permanent members of the United Nations Security Council should start preparing a Middle East peace conference once Iraq has withdrawn from Kuwait, Mr Douglas Hurd, the British foreign secretary, said in London yesterday.

Mr Hurd, who was addressing the Diplomatic and Commonwealth Writers' Association, went much further than the British government has done in foreshadowing a wider Middle East settlement after the Gulf crisis.

While not ruling out the possibility of war as a result of President Saddam Hussein's actions, he put the accent on a peaceful solution.

There was no hope of progress until Mr Saddam had been "driven out of Kuwait", he said. However, like US President George Bush and President François Mitterrand of France, Mr Hurd emphasised that the Palestinian problem must be tackled as soon as the Gulf crisis had been overcome.

"Anyone with a sense of humanity must sympathise with the Palestinians," Mr Hurd said. "No-one can be surprised that the *intifada* [uprising in the occupied territories] continues." However, the Palestine Liberation Organisation had, for the moment, weakened the impact of its cause by its recent decisions on the Gulf crisis.

The Gulf crisis apart, the wider international scene was more favourable than for many years for a serious attempt to settle regional problems, Mr Hurd said.

Co-operation on dealing with the Gulf crisis between the five permanent council members – the US, the Soviet Union, Britain, France and China – had been "heart-warming" and successful. "This model of co-operation could be used to tackle the Palestinian problem."

No further progress could be made until there was a direct dialogue between the two main actors, Israel and representative Palestinians. With Iraq out of Kuwait, moderate Arab opinion would have triumphed over the extremists. Israel should seize that opportunity, since it might be its best chance to win the acceptance of the state of Israel behind secure borders.

Chemical weapons threat 'overstated'

By David White, Defence Correspondent

IRAQ'S ability to make effective use of chemical weapons in the Gulf may have been overstated, according to the International Institute for Strategic Studies.

IISS experts believe the most likely use of Iraqi chemical warheads would be as a last-option terror weapon against civilian targets. This would be less effective in Saudi Arabia than against a more densely-populated target such as Israel.

Iraq has missiles that can reach Israel, but experts doubt whether these can carry large chemical warheads. Mr François Heisbourg, the institute's director, said Iraq would also have to take Israeli retaliation into account.

Colonel Andrew Duncan, responsible for the institute's annual Military Balance, published today, said Iraq was presumed to have the means to deliver chemical weapons with artillery shells and possibly surface-to-surface missiles.

But whereas Baghdad's Soviet-supplied Scud missiles, with a range of less than 190 miles, could carry a "useful" payload of up to 500kg, this was reduced to about 150kg on the extended-range versions developed by the Iraqis.

In the past Iraq used chemical weapons against Kurdish civilians and against the Iranians in set-piece attacks on heavily-defended and easily-targeted positions. The use of chemical weapons on a less static battlefield was "not easy and not terribly effective," Col Duncan said.

The latest Military Balance, with data up to June 1, shows Iraq's air force at 689 combat aircraft, compared with 513 estimated a year earlier. This includes 16 new Soviet Su-24 Fencer attack aircraft. The number of shorter-range Su-25 ground-attack jets has grown from 60 to 90, and the latest Mig-29 fighters from 18 to 30. Iraq also has 1,500 Soviet BMP armoured fighting vehicles – 50 per cent more – and has bolstered its Franco-German Roland air defence systems.

Australian bank probe ordered

By Kevin Brown in Sydney

A SIMMERING row between Australia's Labor government and the main banks boiled over yesterday when Mr Paul Keating, the treasurer (finance minister), announced a parliamentary inquiry into the banking system.

Mr Keating said he had asked the House of Representatives finance committee to investigate bank lending margins following a Treasury study which showed prime rates had not fallen in line with official money market rates.

The inquiry follows earlier suggestions by Mr Keating that the banks were keeping commercial lending rates high to offset losses caused by loans to failed Australian entrepreneurs.

"The banks have been attempting to recoup the costs to them of their bad debts and non-performing loans by increasing the burden on those customers who still have the cash flow to pay higher interest premiums," Mr Keating said.

"The banks are therefore requiring the viable to pay for the non-viable, and in the process making it harder for those who still have well-run businesses."

The treasurer said Australia's big banks appeared not to have changed their attitude to customers since the industry was deregulated in the early 1980s

He appeared to have in mind the ANZ Banking Group, Westpac and the National Australia Bank, the three quoted retail banks. Commonwealth Bank, the fourth big bank, is government-owned, but operates commercially. Mr Keating said lending margins had fallen following pressure from the government, but were still higher than necessary, and had widened since 1989. It was "unacceptable" for the banks to operate their own monetary policy.

Mr Keating also criticised the banks' lending policies, which he claimed had added 0.75 points to interest rates. The banks had been thrusting money into the hands of borrowers whose only security was property assets, he said.

He won support from small business and consumers' bodies which said banks were "ripping off" customers.

Some government critics suggested Mr Keating had attacked the banks to distract attention from the problems of the Australian economy.

Mahathir faces tough test in Malaysian poll

By Lim Siong Hoon in Kuala Lumpur

DR Mahathir Mohamad, the Malaysian prime minister, faces the toughest political test in his decade-long rule when his National Front coalition of ethnic parties goes to the polls within the next few weeks.

Dr Mahathir, who is seeking election for a third term, yesterday announced that parliament will be dissolved today which will pave the way for the country's eighth general election since its 1957 independence from Britain.

Polling must be held within 60 days of parliament's dissolution but, because the official campaign period is short, less than 14 days in the past, polling is likely to be held sooner, in late October or early November.

Dr Mahathir has called the election a year ahead of schedule, in part to capitalise on a healthy economy, low inflation and falling unemployment rates.

Nine peninsular states will hold simultaneous elections for a total of 350 state legislative assembly seats.

In spite of the federalist political structure, all power emanates from the centre, which for the past 33 years has been controlled by Dr Mahathir's United Malays National Organisation (UMNO).

Malays constitute slightly more than half of the country's 17m population and the 8m electorate. But for multiracial legitimacy and national rulership, Dr Mahathir counts on nominal support from more than half a dozen ethnic communities, mainly the Chinese, Indians and, in the Borneo states, the Kadazans and Dayaks.

Unlike in previous elections which the National Front has routinely won, the coalition faces a strong rival bloc headed by Mr Razaleigh Hamzah, a former UMNO finance minister. Backing Mr Razaleigh are several former ministers, UMNO leaders and Tunku Abdul Rahman, the country's first prime minister.

By challenging Dr Mahathir's Malay political leadership, Mr Razaleigh can also undermine the allegiance of UMNO's coalition allies.

The contentiousness of the elections is underlined by the changes in the vote-counting system and allegations of the existence of phantom voters in many marginal and important constituencies.

Dr Mahathir: seeking election for third term

Ethiopia and Sudan face food shortages

By Michael Holman, Africa Editor, in London

UP to 10 million people in Ethiopia and Sudan are threatened by severe food shortages, the British charity Save the Children warned yesterday.

Without "immediate action" by governments and aid agencies, there could be a repeat of the famine of 1984-85 when up to a million people died, said the charity at a London press conference to launch an appeal for a £2m relief fund.

Two officials who have returned from a visit to the region said that food shortages in Sudan were likely to affect up to 5m people, and estimates of the food shortfall ranged between 300,000 and 1m tonnes.

This year's harvest "is likely to fail totally in many areas", the charity reported. Poor rainfall, the impact of the fuel shortage on commercial agriculture and the country's civil war, meant that without aid there would be "a major famine".

It added that logistical problems "already considerable by any standard, will be exacerbated by the war and the country's economic crisis".

In Ethiopia the combination of drought and civil war could put more than 4m people at risk, with 600,000 tonnes of food needed. Food riots had been reported in parts of Tigray province and northern Wollo, Save the Children said.

Belgium, France act on Rwanda strife

BELGIUM and France said yesterday that they were sending troops and other military aid to Rwanda, where government troops are battling rebels some 70km from the capital, Reuter reports from Kigali.

Belgium said troops would leave for the Central African state without delay to protect some 1,600 Belgian citizens caught up in the fighting.

France said 150 troops would leave on Thursday evening to protect its citizens and its embassy in Kigali.

The French Foreign Ministry said it was concerned about ethnic strife in Rwanda, which was invaded on Sunday by Rwandan refugees from Uganda wanting to oust President Juvenal Habyarimana.

Rwanda requested military intervention earlier this week, saying it needed help to repulse the attackers, who have deserted en masse from the Ugandan army.

France, which has some 700 citizens in the tiny landlocked country, has also agreed to provide weapons and ammunition, diplomatic sources said.

In Kampala, fears were expressed that thousands more Rwandans serving in Uganda's National Resistance Army (NRA) would rally to Major General Fred Rwigyema, a Ugandan army officer of Rwandan origin who is leading the invasion.

Military analysts in Kampala said there remained about 7,000 Rwandans in Uganda's army, whose total strength is 80,000.

Uganda has sealed its frontier with Rwanda in an attempt to stop more desertions.

Most of Mr Rwigyema's force is made up of members of Rwanda's traditionally dominant Tutsi tribe, removed from power by the majority Hutu in a bloody 1959 rebellion.

Western diplomats in Kigali said the Rwandan army appeared to be holding around 1,500-2,000 rebels at the town of Gabiro as they tried to move south along the main road from Uganda.

Neighbouring Burundi, where the Tutsis are still in power, said it was reinforcing border controls to stop any Rwandan refugees on its territory from joining the rebels.

Burundi's President Major Pierre Buyoya, himself a Tutsi, made it clear that Burundi would not allow its territory to be used for an attack on Rwanda clear in a meeting on Wednesday with Rwanda's ambassador in Bujumbura, a Burundi government official said.

Mr Habyarimana arrived back in Kigali on Wednesday evening after cutting short a visit to the United Nations in New York.

Sources in Rwanda reported many arrests of suspected rebel sympathisers in Kigali, including high-ranking military officers.

About 1,000 soldiers drawn from Uganda's 250,000-strong Rwandan refugee community have defected in recent weeks.

Sources in Kigali said the capital was operating normally although roadblocks had been set up and paramilitary police were out on the streets.

In Kampala, the Rwandese Patriotic Front said it was behind the attack to oust Mr Habyarimana but denied that it was an ethnically based organisation. "It is neither a Hutu-Tutsi conflict, nor a refugee problem. We are opposing a system which is under a small clique that is undemocratic, corrupt and abuses human rights," a spokesman said.

S Koreans increase overseas investment

By John Ridding in Seoul

OVERSEAS direct investment by South Korean companies has increased sharply so far this year, with almost half of the new projects going to south-east Asia, the Bank of Korea said yesterday.

The central bank said the level of overseas investments in the first eight months was $1.19bn, more than double the figure for the same period last year.

The increase comes in spite of an improvement in several of the factors that have prompted Korean businesses to relocate their production over the past few years. In particular, the currency, which appreciated had strongly between 1987 and 1990, has depreciated by more than 5 per cent this year.

Wage rises in the manufacturing sector have also averaged less than 10 per cent.

The central bank said, however, that other countries in the region were still much cheaper for labour intensive industries.

In addition, Korean industrialists were still somewhat nervous about the prospects for domestic wages and the industrial relations climate. Finally, many of the new investments had been meant to overcome a perceived threat of protectionism in the US and Europe.

The manufacturing sector accounted for 62 per cent of the new investments.

Labour intensive industries such as textiles, footwear and clothing showed strong increases, with the three sectors accounting for a combined total of $82m.

About $115m was invested in overseas petrochemicals projects; $169m went to the metals and machinery sector.

In terms of location, south-east Asian countries such as Indonesia, Thailand and Malaysia were most popular. The combined value of new investment in Association of South-East Asian Nations countries was $583m, while the number of new projects in the region was 188.

The 72 new projects in North America accounted for $455m, while the 22 cases in Europe were worth $87m.

All new investment in the communist bloc went to China, which received $41m in 27 projects.

Singh postpones Punjab elections

By David Housego in New Delhi

MR V.P.Singh, the Indian prime minister, yesterday obtained from parliament approval for the postponing of state assembly elections in Punjab and for extending direct presidential rule over the state for a further six months.

During a special three-day session of parliament, Mr Singh's administration won the necessary two-thirds majority in the lower and upper houses for amending the constitution to allow for an extension of president's rule.

The vote marked a reversal of the humiliation he received in the lower house on Monday when he failed to muster a simple majority due to tactical abstensions by the Congress Party.

In spite of yesterday's success, Mr Singh nonetheless looked an isolated figure on the front bench during the brief debate. Many politicians think his government is now so fragile that it cannot survive long.

The further extension of president's rule in the Punjab – where the state assembly was dissolved in 1987 – marks the failure of Mr Singh's attempts to initiate a dialogue in the state to advance a political solution.

The Congress, the BJP and the Marxist parties also preferred an extension of direct rule from New Delhi to elections that could have resulted in the rout of their own parties and a victory for the Sikh extremist movement.

All the main parties have argued that free and fair elections were impossible in a situation where Sikh extremists could intimidate voters.

Mr Singh declined to commit himself to any date for holding state assembly elections. But there seems little chance of any significant improvement in the coming six months in the security situation in the province where 1,500 people have been killed on official figures this year in terrorist related violence.

V.P. Singh

Sikh politicians have warned the government that the postponing of elections is likely to further alienate public opinion in the province.

- India estimates the Gulf crisis will cost its balance of payments current account $3bn a year, on top of the $8bn deficit projected for this year, David Housego writes.

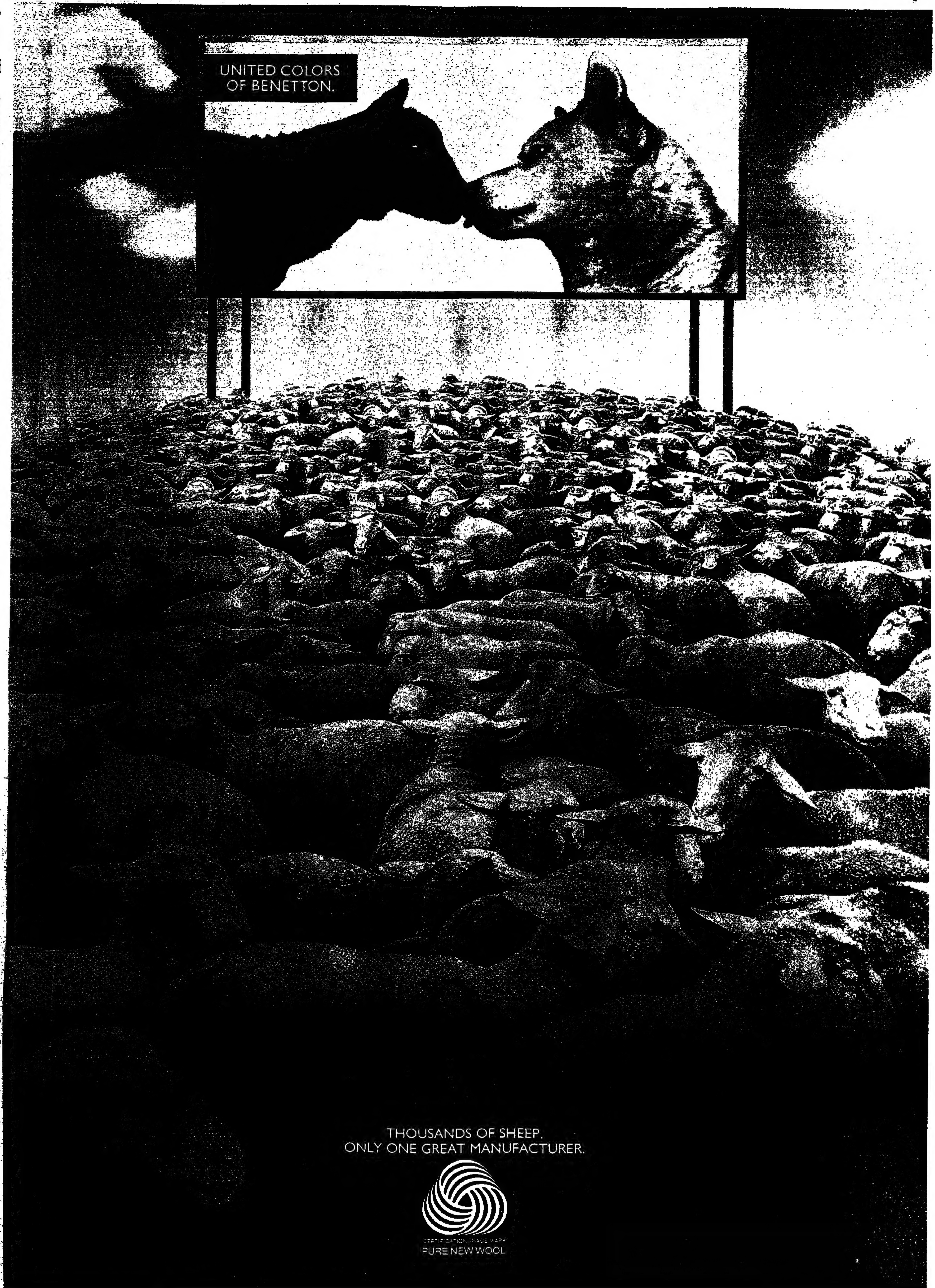
But officials said yesterday that India hoped to offset half of this by higher exports (including about $750m of sales to Japan), a larger food surplus as a result of the good monsoon, and reduced imports (mainly car and electronics components).

ANC favours mixed economy

MR Nelson Mandela's African National Congress (ANC) said yesterday it favoured a mixed economy in a post-apartheid society, aiming for growth through redistribution of resources, Reuter reports from Johannesburg.

It outlined its policy in a document prepared for discussion within the movement, which hopes to form South Africa's first black majority government. Apparently sensitive to worry among investors over earlier talk of nationalising mines, banks or other strategic industries, it barely mentioned the word. In its only direct reference to such action, it said any public utilities sold under current plans to privatise state enterprises would be subject to immediate renationalisation.

Policies that boost output, especially in the fields of social infrastructure and basic consumer goods, would generate jobs, satisfy national needs and help spur growth, it said.


UNITED COLORS
OF BENETTON.
THOUSANDS OF SHEEP.
ONLY ONE GREAT MANUFACTURER.
CERTIFICATION TRADE MARK
PURE NEW WOOL

UK NEWS

Peugeot Talbot will shed 350 jobs as sales decline

By John Griffiths

THE FIRST significant casualties of the UK's falling car market emerged yesterday with an announcement by Peugeot Talbot that 350 jobs are to go, mainly at its Ryton assembly plant near Coventry.

The company, which said it expected to achieve the job cuts through natural wastage, blamed high interest rates, inflation and economic uncertainties caused by the Gulf crisis for a fall of nearly 10 per cent in its UK sales this year.

The announcement sent ripples of unease through an industry already deeply worried about the prospect of recession, and which is facing an accelerating decline in the UK new car market in the final quarter of this year.

Truck makers have already been much harder hit, with sales down some 30 per cent and small-scale lay-offs already undertaken.

Peugeot Talbot's move was claimed to be "just the tip of the iceberg for the motor industry" by Mr John Allen, Amalgamated Engineering Union chief negotiator for Peugeot Talbot.

He described the labour cuts as "another devastating blow for the car industry and undoubtedly the result of high interest rates."

Peugeot itself forecast that "other manufacturers will be following suit in the next two or three weeks". However, other main manufacturers last night insisted that they had no plans for similar measures.

The Peugeot action will result in car output by Ryton's 4,500-strong workforce being reduced from November 5 to 2,400 cars a week, down from 2,600 a week.

They also reverse a long period of expansion in the Peugeot Talbot workforce, which has nearly tripled over the past three years as production at Ryton has been expanded.

The cuts were disclosed as statistics released by the Society of Motor Manufacturers and Traders showed a further fall in new car registrations.

The fall, of 10.56 per cent on the same month last year, means that total registration for the first nine months of 1990 are down by 11.52 per cent, to 1,698,221.

Peugeot Talbot exports 70 per cent of the 405 models it produces at Ryton to the Continent, mainly France.

However, the French and some other main Continental markets have also begun to turn down.

A serious weakening in Continental markets would be particularly ironic for the main UK car makers, which have begun to expand exports on a significant scale for the first time since the 1970s.

Vauxhall plans to export 80,000 cars by the end of next year. Ford is also gearing up for its first car exports from Dagenham since the late 1970s and Nissan is starting large scale exports from its Sunderland plant.

In spite of this, however, total car production fell by 6.9 per cent in the first eight months of the year.

UK market leader Ford recovered from its poor showing of 20.04 per cent in September of last year to take a 25.03 per cent share last month.

Curriculum chief hits at education standards

By Norma Cohen, Education Correspondent

BRITAIN must raise its educational standards and rebuild confidence in the nation's education system, Mr Duncan Graham, chairman of the National Curriculum Council, the government's chief advisers on the education curriculum, said yesterday.

Speaking at a conference sponsored by the Secondary Heads Association, Mr Graham said, "The simple fact is that whatever its strengths, our system has some glaring weaknesses, compares poorly even where it does best, and has to change.

"Our expectations are low, our standards certainly not too high and national confidence in the service is at a low ebb."

He blamed bureaucrats, vested interests and professional educationalists "who feel threatened and overloaded and, if they are honest, a little guilty".

Mr Graham emphasised that the decline in standards predated the government's efforts at reform and that the National Curriculum was on its way to correcting those flaws.

Meanwhile, Mr Graham criticised the poor preparation the education system currently provides for the majority of youngsters who do not go on to higher education but instead seek jobs in industry.

These "defenceless" youngsters, he said, received "watered down academic studies", and were thus condemned to failure and frustration.

Meanwhile, Britain was wrongly congratulating itself on how well it does at the upper end of ability among those who do go on to higher education.

He cited the European Community labour market review which showed that France, Belgium, Scotland and even Spain have higher percentages of young people awarded first degrees.

● The Department of Environment yesterday announced grants of £4m to local authorities to help meet repair costs for schools and colleges affected by last winter's storms.

Watchdog warns of water investment cut

By Richard Evans

PLANNED INCREASES in some water company charges well above the rate of inflation might have to be cut over the next two years because of slipping investment programmes, the industry's regulator has warned.

Mr Ian Byatt, director-general of water services, has written to all water companies warning them that lower charges might have to be levied if there is evidence that the proposed capital spending programmes are not being maintained.

The letter, to the managing directors of the 10 former regional water authorities privatised last year and of the 29 statutory water companies, gives the first evidence that Ofwat, the industry's economic regulator, is determined to keep rapidly rising charges down as much as possible.

In the run-up to privatisation, a complex 10-year programme was drafted for all the companies, balancing their capital expenditure needs with their revenue from charges.

Mr Byatt is stressing that this balance must be maintained following indications in some annual reports that capital investment programmes are already behind schedule.

The industry in England and Wales is proposing to spend more than £25bn in the next decade to bring water quality and sewage disposal requirements up to stringent European Community standards. Charges are set to rise steeply.

The average rise is 5 percentage points above the level of inflation each year for the next ten years. Mr Byatt has told the companies that it is important that Ofwat should monitor how well the individual concerns are progressing with their substantial capital investment programmes.

"The annual reports indicate some slippage and reordering of priorities. We need, therefore, to consider whether those companies are going to experience some delay in achieving their stated objectives," the letter says.

An unspecified number of water companies are now being asked to reassess their probable investment targets and revenue requirements in the short term. Where changes in expenditure are material, Ofwat says they should consider deferring a proportion of their charges over the next one or two years.

It would be unusual for a change in charging policy to be imposed over the next two years because the current arrangement is for adjustments to be made only after five and 10 years.

● Earlier this week Compagnie Générale des Eaux, France's largest water supplier, was cleared by the UK's Department of Trade and Industry to launch a full recommended cash offer for two water companies in England.

The offer concerns Lee Valley – already owned by the supplier – which is to merge with Colne Valley and Rickmansworth.

Judge warns banks over drugs money

By Richard Donkin

LONDON'S banking community was warned by a judge in the Old Bailey yesterday about dealing in drug money after he jailed two financiers for laundering cash in an international operation uncovered by US and UK customs officers.

Mr Asif Baakza, 40, a former manager of the corporate unit of the Bank of Credit and Commerce International (BCCI) in Leadenhall Street, London, and Mr Syed Ziauddin Ali Akbar, 46, former managing director of Capcom Financial Services, the City futures brokers, were both found guilty of conspiring with two BCCI officials in Miami to launder drugs money.

Mr Baakza, of Highfield Avenue, Finchley, north London, was convicted last month and given a two-year sentence, 12 months of it suspended.

Mr Akbar, of Basing Hill, Hampstead, north London, was jailed yesterday for 18 months and ordered to pay £50,000 costs.

Both men were arrested two years ago in co-ordinated raids by customs officers in the UK, France and the US. It was the culmination of an undercover operation investigating the laundering of $32m of cocaine proceeds, mainly in the US.

Mr Robert Mazur, a US customs agent posing as a businessman seeking to launder cocaine money, gained the confidence of the financiers and, using a hidden microphone, taped conversations with them in which they admitted knowledge of the source of funds he was seeking to "process".

Judge Parker told Mr Baakza at the end of the trial: "The banking community in London has got to learn the message that they are not to deal with drug money."

Juries in the two trials heard tapes in which Mr Baakza and Mr Akbar – who worked for BCCI before he founded Capcom Financial Services in 1988 – agreed to assist Mr Mazur in laundering drug money.

Mr Baakza was said to have accepted about $1m of drug money which was later withdrawn in the Bahamas under the guise of a loan.

Mr Akbar, meanwhile, was said to have undertaken to launder drugs cash into gold on the London Futures Market. He dealt with two separate transactions totalling $525,000 but he was also alleged to have discussed the possibility of laundering up to $2m a month through Capcom.

The Bank of England said yesterday that UK banks had shown a marked increase in the number of suspicious transactions they had reported to the Home Office Drugs Intelligence Unit in the past three years.

In 1988 there were 455 reports and 1,204 in 1989. More than 2,000 reports are expected by the end of this year.

The Customs and Excise also received new powers this year to seize large amounts of cash being brought into the country at ports and airports and question individuals.

Labour leadership resigned to inquiry on electoral reform

By Ivo Dawnay

THE Labour Party leadership was last night resigned to a substantial internal debate on electoral reform for Westminster as campaigners claimed victory in a vote to set up an official study on the issue.

The official outcome of the debate was still unknown last night as tellers postponed releasing the result of a card vote until today.

But both supporters and opponents of the growing electoral reform lobby were convinced the study will go ahead after several leading unions – including the giant Transport and General Workers – supported the move in defiance of the leadership.

Labour's national executive had proposed that the study should examine different electoral systems for the European Parliament, a reformed House of Lords and the new regional and Scottish assemblies promised by Labour.

But it deliberately stopped short of extending the working party's remit to include the Commons, demanded in a motion put by the Durham constituency party.

Last night, Mr Neil Kinnock, the party leader, appeared to concede defeat, however, saying: "What we are initiating now is a formalised debate about electoral systems, not deciding in favour of PR – far from it".

Party organisers also emphasised that the conclusion of the working party's report would not be published until well after the next general election.

Nevertheless, Labour's new willingness to even consider the issue represents a remarkable shift of position, in sharp contrast to its outright hostility to PR at the last election.

Opening yesterday's debate, Mr Roy Hattersley, the deputy leader and a fierce opponent of electoral changes, warned that abandoning the present first-past-the-post system would ensure that no party ever won a clear majority in parliament.

"Manifesto promises would be horse-traded away as new alliances were cobbled together," he warned the conference, insisting that Labour would make "no pacts, no alliances and no deals" before or after the election.

But Mr Gavin Laird, general secretary of the powerful Engineers Union, argued that Labour would get an "even bigger" majority at the next general election if it committed itself to PR.

Lamont and most departments fail to reach deal on spending targets

Little agreement on government budgets

By Ralph Atkins

THE Treasury's determination to keep a tight grip on public spending has meant ministers from almost all the heavy spending departments will go to the Conservative party conference next week without having settled budgets for next year.

Mr Norman Lamont, chief secretary to the Treasury, has reached agreement with only a handful of smaller departments. Among the heavy spenders, only the Department of Trade and Industry is thought to be close to settling plans for the 1991-92 financial year.

His failure to reach strike deals with others, in what has been the toughest spending round for years, has increased the likelihood of bids having to be referred to the so called Star Chamber of cabinet minister to be chaired by Sir Geoffrey Howe.

Mr Lamont will spend much of next week in Bournemouth in "bedroom bilaterals" in hotel rooms with Cabinet colleagues. The Star Chamber – the final arbitrator between the Treasury and spending deparments – has not had to meet to settle disputes since 1986.

Lamont and Howe: tough talking in the Star Chamber

The most intractable departmental budgets to settle include defence, health, social security, employment and education. At transport no deal has been concluded so far but Mr Cecil Parkinson, transport secretary, is expected to agree without resorting to the Star Chamber.

The remaining disputes mean that public spending is likely to exceed the £192.3bn pencilled-in for central government spending in 1991-92. Initial bids are thought to have totalled about £15bn more than the figure envisaged by the Treasury.

Mr Lamont's job this year has been made more difficult by a higher than expected inflation rate, now at 10.6 per cent, which has eroded growth built into 1990 budgets. Ministers are also aware that 1991-92 could be a general election year.

Mr Kenneth Clarke, health secretary, has acknowledged that there has been no real growth in his department's services this year. His department is also pushing for extra funding to pay for the reorganisation of the National Health Service and to cover above-inflation rises in medical costs.

Mr John MacGregor, education secretary, is conscious of the potential electoral costs if his department does not receive a substantial rise.

The Ministry of Defence is resisting pressure for big cuts in short-term spending from this year's £21bn, despite widespread recognition that it will have to make sacrifices in the longer term.

At social security – the biggest spending department – retirement pensions and other benefits will be uprated in line with September's inflation figures, which could be near the peak of the inflationary cycle.

Child benefit – a government allowance paid to mothers with young children – could be frozen for the fourth consecutive year.

LEGAL NOTICES

JIP LIMITED

NOTICE IS HEREBY GIVEN pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at The Grand Hotel, Granby Street, Leicester on 8 October 1990 at 10.30 am for the purposes of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. the meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to me at Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA, no later than noon on 5 October 1990, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor must be lodged at the adress mentioned; photocopies (including faxed copies are not acceptable.

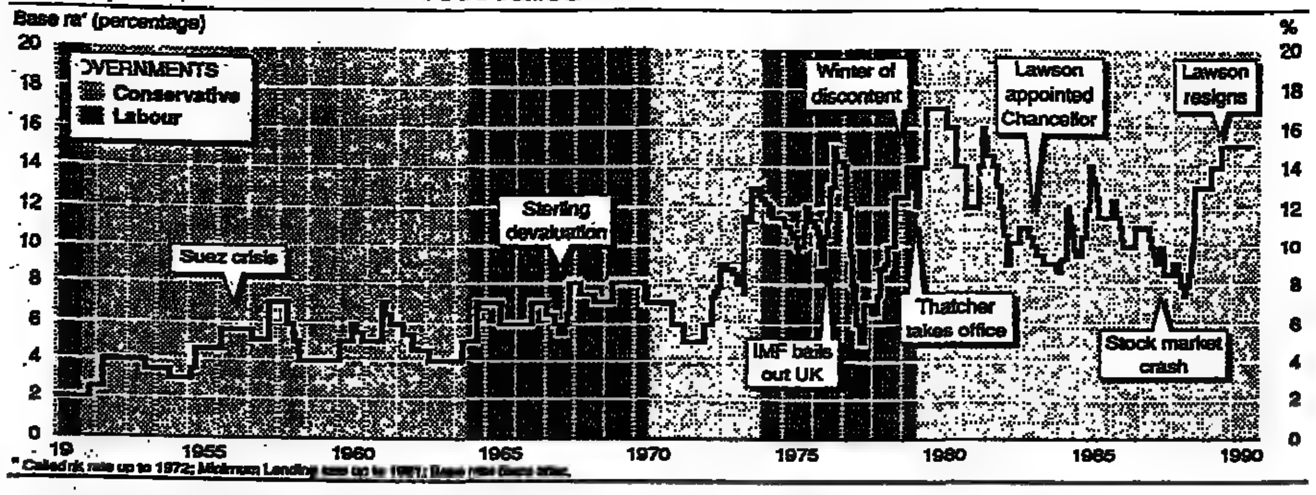
Dated this 28 day of September 1990
John F. Powell
Administrative Receiver

UK NEWS

'Crisis' interest rates pass year mark

Peter Norman looks at the anniversary of the 15 per cent base rate

Ups and downs of UK interest rates



* Called bank rate up to 1972; Minimum Lending …

A YEAR ago today, British bank base rates were raised by a full percentage point to a "crisis" level of 15 per cent.

They are still at 15 per cent. If Mr John Major, the UK chancellor, is to be believed, they will not be coming down for some time yet.

We have to go back more than years to find a similar period of stability in officially guided UK interest rates. Between February 1969 and March 1970, what was then called the bank rate was fixed at eight per cent.

Such lengthy periods of unchanged rates were quite common in the preceding two decades. But it is unlikely that the borrowers and lenders of those days would find very much else familiar in recent monetary conditions. The long periods of interest rate stability in the 1950s and 1960s were at rates of 4 or 6 per cent.

The high level and lack of movement of base rates over the last year has also been remarkable because it followed a period of rapid interest rate adjustment. Last October's increase in base rates was the 11th in 18 months of monetary tightening under Mr Nigel Lawson, the previous chancellor, that led to an overall doubling of base rates in the period.

So why have interest rates stuck at what was generally hailed a year ago as a "crisis level"? The answer lies partly in Mr Lawson's unexpected resignation soon after the base rate rise, which added to downward pressure on sterling, and partly in the resilience of demand in the UK economy in the face of tight money policies.

As time has passed, Mr Major's judgement has also become an important factor. Although fears of recession appear to be growing daily, Britain has a chancellor who has vivid memories of how, in the past, policy had been eased too soon in the light of over-pessimistic assumptions of how the economy was developing. Mr Major also knows that a premature cut in rates that necessitated a new rise ahead of the next election would be politically disastrous.

The government has long maintained that a strong sterling is an essential part of its counter-inflationary strategy. A high value pound cheapens imports, holds down prices and, by increasing the competitive pressures on domestic manufacturers, exerts disciplinary pressure on wage claims.

Mr Lawson's last base rate rise was introduced in response to downward pressure on sterling. Only the previous week, the pound had fallen on bad trade figures. The immediate cause of Mr Lawson's final base rate rise was a one percentage point rise in West German interest rates that threatened further sterling weakness unless it was matched.

At the time, the base rate increase was controversial. It came just before the Conservative party conference, which made it particularly awkward for Mr Lawson. Although it came after two consecutive months of £2bn current account balance of payments deficits, there was widespread fear that the economy was entering recession. Mr John Banham, director-general of the Confederation of British Industry, for example, said the increase was wholly unnecessary and counter-productive.

Mr Lawson's resignation on October 26 knocked away the support that the base rate rise had given the pound. Sterling fell sharply and continued to fall until the end of last year, when it hit a record low against the Deutschmark.

The Bank of England's trade weighted sterling index declined by nearly five per cent in the first two months of Mr Major's chancellorship. This fall followed a steep decline under Mr Lawson that left the pound about 12 per cent weaker at the end of last year than at the beginning.

As a result, much of UK industry was able to avoid the intended squeeze. Exports continued to grow strongly, profits on export business were buoyant and wages could be pushed higher in response to employees' demands.

The squeeze also took time to bite at the consumer level as many banks and building societies delayed raising their mortgage rates in response to the base rate rise.

Thus, while Mr Major last November forecast that 1990 would be "no easy year" with growth of only 1.25 per cent, the economy actually grew at an annual rate of 1.6 per cent in the first quarter and 2.3 per cent in the second.

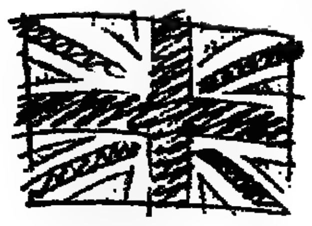
Since April, the pound has appreciated, largely on expectations of early entry into the exchange rate mechanism of the European Monetary System. By yesterday, at around 93.7, the sterling index was nearly 9 per cent higher than at the end of last year and well above its 91.6 level on the day of the base rate increase a year ago.

It is only since June that industry has started to complain loudly about the effects of government policy and evidence has accumulated that the slowdown is reaching through to household behaviour. Retail sales volumes in the June to August period were one per cent lower than in the preceding three months and only 1.35 per cent up on the same period of 1989.

Britain is in what Mr Major calls a disinflationary phase. But, while welcoming the slowdown, he admits that the economy is now only where he originally expected it to be four or five months ago.

Could things have been different? Perhaps, if the Chancellor had followed the advice of many economists and raised base rates to stem the pound's fall on taking office. Then, the squeeze could have worked faster and retail price inflation may have been lower than the 10.6 per cent level recently reported for August.

BRITAIN IN BRIEF



Halifax chief urges law change

Jim Birrell: revisions

The chief executive of Halifax Building Society, the UK's largest lender, yesterday called for substantial revisions to existing legislation to allow societies to widen their field of activities and to put them on a par with banks.

Mr Jim Birrell, speaking to the Midlands and West Association of Building Societies, said the 1986 Building Societies Act caused delays and irritations which could turn into considerable disadvantages by the mid-1990s.

Mr Birrell said societies should be able to do anything which they believe is right for their members provided that they have sufficient capital and expertise.

Two men face fraud charges

Two men were charged yesterday with conspiracy to defraud, following nine arrests on Wednesday connected with an alleged £40m computer fraud at British Aerospace.

The men are expected to appear before magistrates in Bristol in the west of England, this morning.

Meanwhile, a man aged 34 was arrested yesterday in Peckham, south London, in connection with the alleged plot.

Two Australian women from Sydney and Kogarah Bay, New South Wales, who had been taken into custody on Wednesday, have now been released.

BSB complaint thrown out

The European Commission has rejected a complaint by British Satellite Broadcasting that the Astra satellite system which transmits rival Sky Television was illegally subsidised by the Luxembourg government.

SES, the company that owns Astra, did receive government backing on a high-risk loan when it began in 1986 but the loan was repaid. The Commission said that even if it had known of the loan guarantee, it would probably not have stopped it.

Meanwhile, Mr Peter Bell, marketing director of BSB for nearly three years, has resigned after a row over the loss of responsibility for distribution.

Mr Peter Symes will take over distribution and Mr Anthony Simonds-Gooding, BSB chief executive, will take on the marketing role.

Court dismisses appeal by Visa

Traders will soon be allowed to increase prices for customers paying with credit cards after the UK Appeal Court yesterday dismissed Visa International's appeal against a Monopolies and Mergers Commission ruling.

Britain's Department of Trade and Industry said it intends to enforce the recommendations within the next few weeks.

The MMC said in a report last August that a complex monopoly exists in credit card services in the UK, and called for the government to end the "no discrimination clause" in which Visa blocked traders from giving discounts for cash.

Broadcasting plea rejected

Mr Peter Lilley, Britain's trade and industry secretary, yesterday rejected pleas that broadcasters' relations with independent producers and music publishers should be investigated by the Monopolies and Mergers Commission, the market regulatory body.

Independent television producers have accused the main broadcasting organisations of using their power to hold on to the foreign rights of programmes commissioned initially for the UK market.

Labour MP joins SNP

Mr Dick Douglas, MP for Dunfermline West, yesterday formerly joined the Scottish

Dick Douglas: joined SNP

National party, bringing its tally of MPs to five.

Mr Douglas, who is 58, resigned the Labour party whip in March this year because he rejected its stand on the community charge, the controversial local levy for services. The party decided to acquiesce in the charge rather than organise a mass campaign of non-payment, as the SNP is doing.

'Fair trade' for Third World

A consortium of Third World development groups is seeking the support of leading retailers and food wholesalers to launch a "fair trade" seal which would endorse products from ethical sources in the less developed world.

"Fair Trade Mark", whose members include Oxfam, Christian Aid and the World Development Movement, is trying to develop high street acceptance for a package label symbol indicating that products had their origins with suppliers providing fair wages and working conditions for their employees.

Scottish site for £4m factory

Alps Electric, a Japanese manufacturer of electronic components, is setting up a £4m plant at Arbroath, Tayside, East Scotland, which will employ 240 people.

The plant, which is to be located in an enterprise zone, will make tuners for television and video cassette recorders. It will be the company's second plant in the UK, the other being at Milton Keynes, Buckinghamshire.

New radio licences plan

Britain's Radio Authority yesterday announced plans to offer up to 30 new local commercial radio licences next year.

The areas chosen from more than 900 "letters of intent" submitted by prospective applicants concentrate on areas not well covered by existing independent commercial radio stations.

Reckitt to axe 150 Hull jobs

Reckitt & Colman, the household products, food and drugs group, yesterday announced 150 white-collar redundancies at its Hull operations and the merger of two of its four operating divisions based there.

Receiverships double

The number of UK receiverships in the first nine months of the year was more than double the level in the same period in 1989, according to figures released yesterday by KPMG Peat Marwick McLintock, the accountancy firm.

BR fare rise

Passengers on British Rail and London Transport face a third consecutive year of heavy fare increases in January. InterCity and Network SouthEast fares will rise by 9.5 per cent while bus and London Underground fares go up by 9.7 per cent.

MANAGEMENT

Transforming corporate culture

Why GE encourages lèse majesté

The US conglomerate's chairman is urging his managers to express candid and honest opinions in order to instil in them the attitudes of a small, fast-moving entrepreneurial business. **Martin Dickson** reports

Can this be for real? Some *junior executive* has just had the temerity to give Jack Welch a piece of advice on how to *do his job* better. And as chairman of General Electric, Welch is one of the most powerful and influential businessmen in the United States.

The *advice was pretty* cheeky, too. It was delivered after this junior executive went on one of the courses Welch addresses at GE's campus-like management training school in Crotonville, New York state. Welch helicopters in every few weeks from his headquarters in nearby Connecticut to give the troops his vision of the company's future.

Afterwards, the students fill in a questionnaire on their boss's performance. Though enthusing about Welch's message, our junior executive went on to advise his chairman that he could save company money if only he cared to walk the 200 yards from his helicopter to the centre, rather than tying *up a chauffeur-driven* car.

Although perhaps delivered tongue-in-cheek, it is the kind of *lèse majesté* which would have many company chairmen shaking with anger. But Welch seems to be delighted, for it is just this kind of constructive criticism that he is trying to encourage at GE. The aim, he says, is to create an atmo*sphere where "it's acceptable* to speak out, where telling the truth is rewarded and where bosses who yell at people for speaking up are not".

The incident underlines a remarkable experiment in management techniques taking place at GE, one of the biggest and most diversified manufacturing companies in the US, *with interests ranging from* aircraft engine manufacturing to financial services.

Welch's goal is extremely ambitious: to inject right down the line the attitudes of a small, fast-moving entrepreneurial business and continuously to improve GE's productivity, so that it remains competitive in the intense *global market place of the* 1990s.

This means a frontal assault on bureaucracy, a vice to which Americans seem particularly prone. But it goes far beyond this in seeking much greater involvement of the group's workforce and customers in the way the business is run. Welch calls this process *"work-out"*.

The experiment has a wider importance, for GE – founded over 100 years ago by Thomas Edison – has a long tradition of leading the US in new management techniques. In the 1950s, for example, it introduced the idea of separate profit centres, while in the 1960s and 1970s it set a trend (now reversed) of hiring legions of strategic planners.

Work-out is already having an influence elsewhere. For example, in the UK, British Petroleum is using elements of the scheme in its great management restructuring.

The company has already undergone one revolution, which radically changed its shape, since Welch took over as chief executive in 1980. He was a surprise choice to head the group, *since he was only in* his mid-40s and had a reputation for unorthodox ideas, albeit some which had proved very successful in building up GE's plastics business.

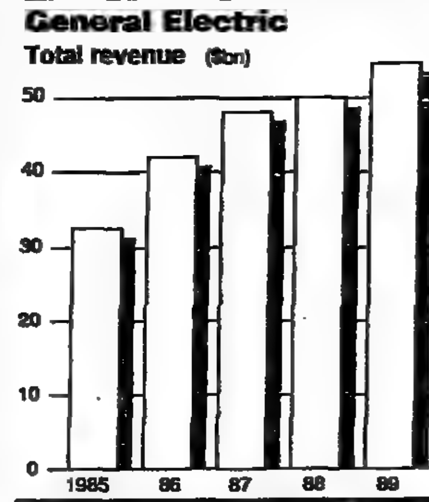
The maverick image was reinforced as he set about a wholesale reorganisation of a company which critics suggested *did not* need mend*ing. He got rid of management* layers. He scrapped his predecessor's division of the group into 350 strategic units. He sold businesses representing 25 per cent of GE's sales – ranging from the manufacture of semiconductors, through houseware to mining – and cut more than 100,000 jobs through disposals, attrition and lay-offs.

But he also bought companies, notably RCA, bringing with it new defence electronics businesses and the NBC television network. He bought Kidder Peabody, the Wall Street securities house, a takeover which went sour almost immediately when one of its star deal-makers was accused of insider trading and the firm *began to haemorrhage* talent.

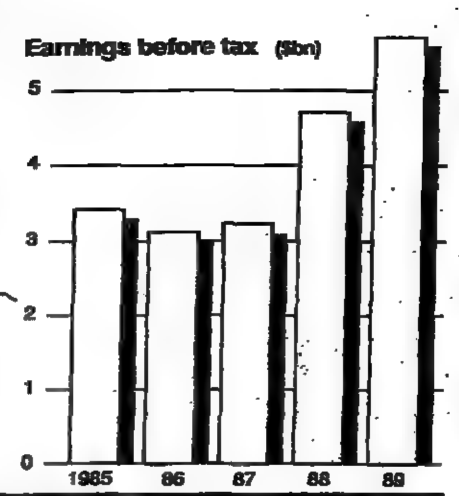
The aim of this controversial whirl of activity, says Welch, was to make sure that all GE's businesses were global in scope and either first or second in their sectors. "When you hit a down draught and you're number four in a market, you get pneumonia," he says. "If you're one or two you get a little sniffle."

Being first or second in a market fulfils one of Welch's criteria for creating the "ultimate" strong company. The other is to "integrate diversity" – in other words, get ideas and people flowing across corporate boundaries, making the whole a great deal more than the sum of the parts.

"An *integrated, diversified* company can be a powerhouse, should be a powerhouse, if it is number one or two in its businesses and the integration is real," he says, arguing that such a group offers investors less risk and greater consistency than single sector ones, since cyclical upturns in one part will offset *downturns elsewhere*.



Jack Welch



Parts of this sound rather like a replay of the apologias put forward in the 1960s and 1970s to justify the creation of conglomerates, many of which were broken up again in the 1980s when fashion changed.

But Welch argues that a cru*cial difference between GE and* a conglomerate is the degree of cross-fertilisation taking place between the group's divisions. Certainly, the company is putting immense effort into removing barriers both vertically – up and down the line – and horizontally – across divisions.

Integration involves *exchanges of both people and* ideas. Top executives are moved freely from one GE business to another where Welch thinks their particular mix of talents and experience will be useful. For example, the former head of GE Capital, the financial arm, was put in charge of NBC, while a new head for GE turbines has been *plucked out of the aircraft* engines division. Welch hopes that seven or so engineers will be "stolen" from the aircraft side to give turbines a boost.

Exchanges of ideas take place at many levels and with varying degrees of formality. The most senior forum is the corporate executive council, which brings together the *heads of GE's 14 businesses* and a few top staff each quarter to swop views. Each individual business has its own mini-version of this institution.

Meanwhile, some 5,000 employees a year attend sessions at the Crotonville Management Development Institute – a long-time GE feature which had a lot of money spent *on it in the 1980s*. There they are exposed to new ideas in best business practices.

But exchanging information extends far beyond class-room theories. For example, scientists at the company's large research centre at Schenectady, in New York state, are encouraged to act like entrepreneurs, coming up with ideas *and hawking them round the* group, rather than waiting for product managers to come to them with ideas. The result, say analysts, is a much better record in transferring technology to the market place than have most other US companies.

Welch says his aim is to create a "boundaryless company", which he defines as meaning *that "between functions*, between labour and management, between customers and GE, the lines are blurred. We become one. We share."

This sounds horribly vague and well-meaning – the kind of remark that might come better from a minor Oriental mystic than a high priest of capitalism. Yet the purpose is extremely *down-to-earth*: to improve productivity by getting everyone in the company – as well as customers – contributing ideas on the way work is organised.

Welch's key tool in this drive is the "work-out" process. The idea was sown several years ago at Crotonville, after a number of junior executives had stood up in Welch's sessions and criticised aspects of their businesses. But he thought: "Why can't we recreate these sessions in each business, where the person standing at the front of the room *can* do something about it?"

Work-out involves a business leader talking to a small group of employees, drawn from all *levels, and giving them his or* her "vision". The employees go away, think about the ideas and about what bothers them about their jobs. They then reconvene and discuss the issues.

The manager can accept or reject the ideas for improvements thrown up in the discussion, or can say he will think about them. But if his initial reply is "maybe" he must report back to the group with a final decision within 30 days.

Cynics might argue that variations on this kind of operation have been tried at other western companies but almost always end in disillusion when management fails to deliver on its promises, or when staff become frightened *of* criticising their bosses.

But the GE operation is remarkable in that it is being applied rigorously across the company, and from top to bottom, and it is structured so that managers cannot get away with doing nothing.

This is because the company has hired independent experts from several universities to act as "facilitators" – monitors who sit in on the sessions, make sure managers do not bully those who speak their minds, and check that they are sticking to their promises.

Work-out has only been operating since early last year and Welch says that so far about 90 *per cent of the* recommendations coming out of the sessions have been acted on.

This is because initially they have been very simple - amounting to getting rid of much of the unnecessary bureaucracy and administrative trivia which had piled up over 100 years.

At first ideas come hesitantly, but Welch says that once people see their suggestions being acted on, the trickle turns into a flood. "It gives people self-confidence. They think: 'Look, what I say is important. People act, people respond to it.'"

Work-out is now entering a more difficult area – improving the production process – but Welch says it is already producing results.

"Do you realise how silly it is for managers in an office to be fixing some of these flow things that people deal with every day?" he asks, adding that an ergonomics work-out at a plant in Louisville, Kentucky, "made more progress than paying consultants for a decade, because the people on that floor knew it [the job] was breaking their backs more than those people coming in with pads of paper."

But these changes – which could yet lose momentum over the long term – have some powerful implications for traditional corporate roles, blurring the distinction between manager and managed, executive and blue-collar worker, and GE and its customers.

It demands more from workers, who are given greater responsibility, and much, much more from managers, who must still lead, yet be flexible and willing to accept criticism. That in turn requires a particular combination of self-confidence and sensitivity.

Welch says GE has had to remove some business leaders because they were not "candid, and couldn't face reality"; he adds that "we will undoubtedly have to lose some key managers in the 1990s who won't embrace the concept of 'boundaryless', who won't be self-confident and simple."

Welch is not without critics. Some have accused him of merely replacing one hotch*potch of companies with* another. Some argue that his "delayering" of the corporate bureaucracy in the 1980s left middle managers too stressed and too overworked; some complain that his job cuts, and the ejection of managers who cannot adapt to the demanding new regime, have hit company morale. Not for nothing has he been called "Neutron Jack".

And while "work-out" has been widely welcomed as an imaginative move forward, detractors argue that it would have been better if such a programme had been introduced several years earlier. In other words, Welch should have set about the group's human, or "software" problems at the same time as remaking its "hardware", rather than leaving the job until later.

Still, the acid test of any management theory has to be whether it actually produces results and in GE's case it has done so impressively, with the company recording double digit earnings growth for the past 15 quarters.

With the US teetering towards a recession in the wake of the Gulf crisis analysts expect a substantial slowdown in that pace next year, and point in particular to the slump in US defence spending and the weakness of the financial services sector, where GE Capital is one of the largest players.

Nevertheless, the company seems to be in a much better position to withstand an economic downturn than it was in the 1981-82 recession.

Whether GE's latest management techniques could be transferred to other companies is debatable, for much of the drive behind "work-out" comes from the personality of Welch himself, who has shown a remarkable ability to adapt his management theories to suit the company's changing needs, particularly his new emphasis on the human dimension.

The only child of a Massachusetts railway conductor, he is a slim man of middle height with bright, piercing eyes and immense bubbling enthusiasm. He is given to tapping you lightly on the arm to emphasise a point and to rush off rhetorical questions. "How real is our integration?" he says. "It's a lot more real than it's ever been. Is it the ultimate? No. Are we working on it every day? Yes."

At times like these he sounds a little like a horsespeller. Yet he is anxious to stress that he has not yet found the corporate holy grail.

"We are on a crusade," he says. "But we are only just beginning. We are two to three years into it. This is a long journey. We don't have all the answers."

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Chatterji goes to the board

For the second time this year a UK-based multinational company has promoted an Indian-educated technologist to its main board as research and technical director. The appointment of Deb Chatterji at the BOC Group this week follows that of Ashok Ganguly at Unilever in May.

Chatterji says the two men come from similar Bengali backgrounds. Like many of the best Indian university graduates, they went on to do a PhD in the US (Ganguly at the University of Illinois and Chatterji at Purdue).

But Ganguly has spent most of his working life back in India with Hindustan Lever – as chairman from 1980 until this year – while Chatterji stayed in the US, spending 10 years in R&D with General Electric (GE) before joining BOC in 1983.

Although BOC is a UK-based company, its central research facility is in the US, at Murray Hill, New Jersey. It was inherited from Airco, the US industrial gases company which BOC took over in 1979.

BOC has tripled its spending on research, development and engineering during the seven years since Chatterji joined the company. It now spends £70m a year on these activities and employs 1,500 scientists and technicians.

"Technology has been a key factor in BOC's commercial success during the 1980s and Deb has played a major role in this effort," says Richard Giordano, BOC chief executive.

The next step in that expansion will be to set up research and technology centres in the UK and Japan, to back up the US facility. BOC used to have a UK research centre in Morden, South of London, but this was closed down in the mid 1970s.

The new UK centre will focus initially on production technology for BOC's industrial gases businesses. It will start with a staffing of 20 to 30 scientists and engineers.

Chatterji says the company will decide soon whether to put the UK centre on a university campus or on one of BOC's industrial sites.

Clive Cookson

Alan Cane asks whether Siemens Nixdorf can make an impact on Europe's computer industry

Up against the odds

Can Siemens Nixdorf Information Systems, the German information technology company formed this week from Siemens' data and information systems division and the ailing Nixdorf Computer, become a focal point for Europe's indigenous computer manufacturing industry and halt its seemingly inexorable decline?

The new company, with joint worldwide sales in 1989 of DM11.5bn (£4bn), is Europe's largest computer manufacturer, ahead of France's Bull (DM9.6bn excluding Zenith) and Italy's Olivetti (DM8.9bn), but behind International Business Machines, Digital Equipment, Unisys and Hewlett Packard of the US and Fujitsu, NEC and Hitachi of Japan.

Hans-Dieter Wiedig, chairman and chief executive of SNI, is therefore charged with a tough task. To challenge the Americans and the Japanese he will have to overcome a set of disadvantages that have so far thwarted other European computer manufacturers in their search for international competitiveness.

They are three in number: European manufacturers have been confined largely to their national markets and have failed to achieve adequate economies of scale; they have failed to innovate effectively; and they have been perennially short of resources to underwrite the heavy R&D costs that are vital to a leadership position in computer manufacture.

Wiedig has been with Siemens for most of his professional life, holding posts including executive board director for Siemens Greece and head of business administration for Siemens data systems division. He was appointed group president of Siemens data and information systems division in 1989. Now his skills as a computer industry statesman will be tested to the full in the bloody cockpit of the European industry. How is he approaching his task?

First, the traditional insularity that dogs European manufacturers and contains them within their home markets. SNI plans to market a full range of computers, from supercomputers to laptops, but the lion's share of its revenues, to judge from last year's sales figures, will come from western Europe and, in particular, West Germany. Some 94 per cent of its revenues come from western Europe and 60 per cent from West Germany.

There should be powerful synergy in the new relationship between Siemens and Nixdorf. Siemens has made great strides to become a force in the computer industry in the past few years. It was number one in Europe before the takeover, but its strength is as a systems – that is, computer hardware – supplier.

Hans-Dieter Wiedig, SNI chairman and chief executive

In the modern data processing industry, that is becoming an outdated approach. Customers today demand that their computer suppliers provide solutions to their data processing problems through a combination of hardware and software. That has been the source of Nixdorf's strength in Germany and one that it has been able to transfer successfully to its subsidiaries overseas.

While Nixdorf as a whole ran up losses of DM1.069bn last year, the UK subsidiary, for example, grew strongly and traded profitably. SNI's aim is to grow total revenues from DM11.5bn in 1989 to DM13bn in 1990-91 with international business contributing about 40 per cent of the total. Nixdorf's marketing network and skills in applications software are therefore essential to complement Siemens' capabilities as a systems manufacturer.

Wiedig believes, however, that there will continue to be consolidation in Europe, leaving perhaps only one large European-owned computer manufacturer by the turn of the century. Europe's computer companies discuss continually possibilities of mergers, alliances and partnerships through the Information Technology Round Table, an exclusive "club" for leading electronics firms.

Wiedig said in Frankfurt this week that there had been a number of approaches from potential partners. He is, however, putting the successful integration of Nixdorf and Siemens' data divisions before any mergers.

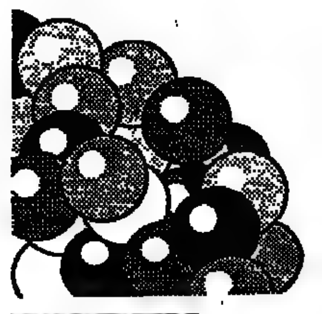
He was non-committal about the possibility of a deal with Bull or Olivetti – the only two large, European-owned computer manufacturers now that ICL of the UK is to be sold to Fujitsu, saying that three years in the computer business was a long time. And he denied reports that Fujitsu had an interest in taking a share in Siemens. The reports had been based on a misunderstanding, he said.

If SNI is to grow significantly outside Europe, it will have to make its mark in the large, but slowly growing, US market. Wiedig said that if the company were to grow at an acceptable speed in the US, it would have to find a "strong" partner, that is, not one hampered by heavy losses. NCR of the US, which had recently revamped its entire product line to run on Intel microprocessors, would not be an ideal partner, he said.

It seems the company's contribution to innovation will be chiefly in software. SNI will operate the dual architecture that is becoming common among mainframe suppliers. Large systems are based on proprietary designs and operating systems while medium-sized and small systems will be based on standard microprocessors and a derivation of the Unix operating system. Both Siemens and Nixdorf were founding members of the Open Software Foundation, committed to developing a version of Unix based on a design from IBM.

SNI will have an arm's-length relationship with its parent, Siemens, which owns 78 per cent of its stock, but it will benefit from the range of electronics and electrical engineering products that Siemens provides including its range of semiconductors: "We can jointly define interfaces, develop joint solutions and even approach customers jointly," Wiedig said.

The Siemens connection will also provide the cash resources that have often proved a stumbling block for other European computer makers. The industry remains turbulent and there will be more restructuring. There is no guarantee of international success for SNI. But among the indigent Europeans, it seems to have the best chance.



WORTH WATCHING

Della Bradshaw

Seeing through the forgeries

THE forgery of bank notes is becoming an increasingly complex problem for the world's financial community as more sophisticated copying devices appear on the market.

The answer could be an optical security device developed by CSIRO, the Australian research organisation.

CSIRO was responsible for developing the optical image on Australia's latest $10 bill. Now it has developed a more sophisticated – and therefore more difficult to forge – technology called Catpix 2.

Catpix 2 produces a pictorial optical foil, about twice the size of the holograms which appear on today's credit card, but containing 10,000m bytes of data. The picture is produced using an electron beam, the same technique used to produce today's most sophisticated microchips. Holograms are produced by laser beam.

As well as being more detailed than holographic images, the Catpix 2 technique produces an image which does not blur when viewed from different angles. Instead it changes from a positive to a negative image. It can also be used on bank notes as well as plastic cards.

Two ships are better than one

THE idea of splitting a ship longitudinally to make it narrow enough to squeeze through restricted canal locks, and later bolting the two sections together again to rebuild a complete ship, may seem fanciful, writes Robin Burton.

Especially if in the meantime each of the two halves have to travel backwards to avoid turning in large circles.

But a Chichester firm, Marine Data International, has produced a detailed design for just such a vessel. The purpose of the "split ship, seagoing canal vessel" is to enable a ship with a maximum cargo carrying capacity of 1,240 tonnes to use British inland waterways.

It would do this by reducing the overall width of the ship from 12.4m to an acceptable 6.2m. The tendency to travel in circles if driven ahead in split mode would be caused by the asymmetrical shape of each half-ship.

Once in open water the two half-ships would be carefully positioned and then secured by way of a patented hydraulic mechanism.

Computer wears its clothing well

INDUSTRIAL clothing has never really hit the fashion headlines, but a Warrington-based company has installed a computer system to enable it to complete designs from concept to final form in hours rather than weeks.

The computer system, developed by Mycrodynamics, of Dallas, and installed by Apparelmaster Design, uses either scanning equipment or high-quality video pictures to get the information on the design of the clothing and the fabric into the system. The two can then be matched together using special software which puts in the creases, shadows and drapes, as would appear when the garment was worn.

The design can then be printed out in colour on film or can be transmitted using special software over a communications line to other company offices worldwide.

Shorter life for radioactive waste

DISPOSAL of radioactive waste is an emotive issue, especially when it has to be transported by road.

But the Los Alamos National Laboratory in New Mexico has developed a way of rendering radioactive waste harmless or of reducing its toxicity so that it only needs to be stored for a few hundred years instead of tens of thousands of years.

The process, which works on concentrated nuclear waste resulting from the production of plutonium, is based on the generation of very large numbers of neutrons. These are absorbed by the radioactive waste, rendering them stable (non-radioactive) or less dangerous than previously. The success of the technique, says Los Alamos, is because the more neutrons there are the more reactions can take place.

The technology could be used to treat stockpiled radioactive waste on site – without having to shunt it around the country for treatment.

Going with the flow

JUST-in-time (JIT) manufacturing is usually associated with Japanese manufacturers and endless greasy production lines. But in Scotland the local whisky makers are also getting in on the act.

Targeted specifically at Scotland's native drink makers is a bottling machine which enables them to transfer between different bottle shapes and sizes in a matter of minutes. The bottling machines enable whisky makers to change bottle shapes economically every half hour, or so.

The Concept 2000 rotary liquid filling machine, from Pneumatic Scale, of Hemel Hempstead, relies on sets of filling valves that can be easily interchanged. The valves control the amount of liquid which goes into the bottle and the speed with which it flows.

Microwave oven stirs it up

TAKING the guesswork out of cooking is the aim of the latest Japanese microwave oven. Instead of the cook making the guesses, the oven does it instead.

The oven, developed by Sharp, uses "fuzzy logic", a technology that combines vague human responses with the strict binary logic of computing.

In the case of the microwave oven, the fuzzy logic control system knows when, and for how long, to stir, mash or knead the food in the oven. And it inserts the appropriate utensils to carry out this task.

Contacts: CSIRO: Australia, 03 542 2777. Marine Data: UK, 0243 [illegible]. Mycrodynamics: US, 214 343 1176; UK, 061 227 9009. Apparelmaster: UK, 0942 725711. Los Alamos: US, 505 667 5061. Pneumatic Scale: UK, 0442 212871. Sharp: Japan, 06 [illegible].

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FINANCIAL TIMES SURVEY

PROPERTY IN SCOTLAND

Friday October 5 1990

The late 1980s boom in Scottish property has come to a pause, halted by conflicting signals about the economy. Developers' fortunes and feelings about the future are mixed. There is also the changing role of government agencies to contend with, as James Buxton outlines

Development conflicts

THE RIPPLE effect, by which economic forces originating in the south of England move north like ripples across a pond, is producing confusing signals in Scotland.

On the one hand, there are few obvious signs of serious economic downturn, although many businesspeople are pessimistic about the medium term economic future. The latest survey of business opinion in Scotland showed retailers and manufacturers reporting increased sales and orders. Unemployment at eight per cent is, by a whisker, still falling.

However, the fact that the commercial property market in the south of England turned alarmingly sour early in the year has stripped away some of the underpinning of a strong property boom in Scotland, which naturally began later than that of the south.

That crisis, as well as creating financial difficulties for many property developers, has caused a virtual drying up of the institutional property investment market. With institutions waiting to see what happens to values and rents instead of investing, the fundamental basis of property development, a developer's confidence that he can eventually dispose of his property, has almost gone.

"Without a strong funding market, it's difficult to trade properties and get new projects underway," explains Mr Roderick Miller of the chartered surveyors Drivers Jonas in Glasgow.

The rise in property yields is affecting the whole of the UK, but the letting market is much stronger in Scotland and the rest of northern Britain, than in the south.

Many of the underlying forces which create demand for new and better property are still there. The Scottish economy is slowing down less quickly than that of the UK as a whole (though few doubt that the downturn will eventually reach the Central Belt), and the recent perception of Scotland as a good place to move one's business or home may become a permanent legacy.

The effect of these confused ripples is paradoxical. In Edinburgh there is considerable inherent demand for high quality office space with large floorplates and space for all the ducting of cables and air conditioning that a modern office requires. There is a vacancy rate of only two per cent.


St Vincent Street, at the centre of Glasgow's business district

Ashley Ashwood

Yet one very large project to satisfy a good part of that demand – the scheme for office developments and a conference centre off Lothian Road – looks becalmed, partly because Greycoat, one of the two main members of the development consortium, pulled out in the summer and the other, Sheraton Securities, has had a financial crisis.

The Scottish Development Agency and the district council are trying to ensure that the project goes ahead, even if later than originally intended. "We're talking about the future of Edinburgh here, not just the next two years," says Dr Des Bonnar, head of the SDA's Edinburgh office. But the property market does not think like that.

In Glasgow, traditionally a steadier and larger market, things are healthier. Much new office property is becoming available in the next year or so; and much is pre-let. Rents are still rising. But although some new developments have gone ahead this year, others are stalled. Some observers believe there will be a serious shortage of new office space becoming available in 1992.

Glasgow now has the office accommodation to meet the needs of the growing number of organisations contemplating moving part of their operations to the city. In the past three years about 15 companies and organisations have relocated or decided to relocate to Glasgow, promising 7,000 jobs. Edinburgh missed out because it was too slow to get going, and because of the unusual complexities of development there.

Mr Andy Irvine of Jones Lang Wootton in Edinburgh believes the property market in the UK may be close to bottoming out, although recovery has been delayed by the Gulf crisis.

The UK property boom of the 1980s came late to Scotland. It was only in 1987 or 1988 that the commercial property markets in the main cities began to come to life, and the rise in house prices and in the value of rural property began.

Throughout the property scene, whether in large developments or residential housing, the common theme is the spread of activity from the south. Although there are a number of Scottish property developers, such as Scottish & Metropolitan, Murray International and DCI, many of the principal schemes in Scotland are being pushed through by English-based companies.

The past two or three years started an upgrading of the fabric of Scotland's cities and towns that is visible proof that it is coming up in the world.

New retail developments have been created in Glasgow, in Aberdeen and in a number of smaller towns. New hotels, especially in the four- or five-star class, have gone up in Glasgow and are underway in Edinburgh. Inverness, once dormant capital of the Highlands, is now the scene of vibrant development, especially in leisure and high grade housing.

Although confidence is beginning to seep away in many sectors, there is one region where the brakes are not being applied. Aberdeen's economy partially follows the oil price: it had a recession in 1986 after oil prices collapsed, while the rest of the British economy was expanding, and recovered two years later.

When the recession began Aberdeen already had too much office space. Only recently that has been filled and the market is clamouring for more. Now with oil prices at new heights a new wave of development could take place.

The public sector has long played a bigger role in Scottish property than in England. The SDA has for years been almost the only force in industrial property and has also had an important role in stimulating urban renewal; also, the five new towns are disproportionately important honeypots of growth.

That is changing. Earlier this year the SDA sold about 80 per cent of its portfolio of industrial property. The government wanted it to make room for the private sector, and the SDA felt that owning large industrial estates often had no development function.

But the sale of the bulk of the SDA's portfolio for £120m to two companies may not initially stimulate new activity. Rents are often too low to make new development economic and there is some vacant space. The SDA has kept about 20 per cent of its portfolio and may continue to offer property at lower rents than the private sector would.

Next April the SDA itself is to re-emerge as Scottish Enterprise, merging with the Training Agency in Scotland. The core body, while providing a strategic lead in other sectors, will operate through 12 local enterprise companies in which private sector people will play the leading role.

To some extent, the private sector-led property boom of recent years is a result of the SDA's long-term pump-priming in urban areas, and suggests that the agency has completed its task. Where it has not done so many of its functions will devolve to the LECs, and private sector developers will be expected to become more active in zones where in the past they have needed encouragement from the SDA.

The act creating Scottish Enterprise also provided for the winding up over the next ten years of the development corporations which run the new towns. The government thinks the corporations have largely done their jobs, or have nearly done so. This is not accepted in the development corporations themselves, which believe their special powers are still needed.

Both here, and in the Scottish Enterprise concept, the private sector will have to demonstrate that it is worthy of the government's faith.

EDINBURGH

Pressures on projects

There is only one real question waiting to be answered in this property market: when and in what form will the Lothian Road scheme go ahead?

This is a project to build a 1,200 seat conference centre and develop a large amount of office space on a site off Lothian Road to the south-west of the city centre. It is vital to Edinburgh's future, partly because of the economic benefits from the conference centre, and partly because it represents a badly needed expansion of the city's office district.

Until early this year the combined developments appeared to be moving ahead cautiously but steadily. But the collapse of the property market in the south caused one of the two developers, Greycoat, to pull out, while the other, Sheraton Securities, recently had to be refinanced.

As doubts about the project swelled it looked very much as if Edinburgh had missed the boat yet again.

A wave of new development began three years ago as economic spirits rose and the council at last released some of its land for development. The most significant project was by Scottish & Metropolitan to build a financial centre on the notorious "hole in the ground" site in Castle Terrace. That development should be ready in 12 months' time with 165,000 sq ft of office space, as well as restaurants and a theatre. About half the office space is let.

But as life assurance companies, fund managers and banks expand, along with the solicitors and accountants who serve them, demand for top quality office accommodation has outrun the sites available.

Over the past year or so almost all prime space likely to be available for the next three years has been snapped up. Some businesses are tiring of the elegant but unwieldy Georgian properties in Charlotte Square and moving out: Martin Currie, the fund manager, is going to Castle Terrace. But businesses that require a lot of space are finding it impossible to find somewhere to move to.

As a result, rents in the centre have been forced up. Best office accommodation in the centre, which might have been available for £7 per sq ft in 1985 is now hitting £25 per sq ft, and the rise of rents in Edinburgh between 1985 and 1989 was an inflation adjusted 36.97 per cent, the highest of any major European city, according to Hillier Parker.

The pressure, however, is less acute for smaller organisations seeking less prestigious accommodation and in this sector demand weakened earlier this year, says Mr John Clement of Hillier Parker.

As well the Lothian Road conference centre project there is the well advanced scheme to redevelop the Port Hamilton area in the next block to the south. Ford Sellar Morris and Berisford Properties have detailed planning consent for 470,000 sq ft of offices in nine buildings, plus 700 apartments. They expect to begin the first building within weeks and are speaking to potential tenants.

Edinburgh has mulled over a conference centre for years. Dedicated conference centres need public sector subsidies to cover running costs, but for a long time the government refused to co-operate. Eventually it allowed the Scottish Development Agency to put in £6.75m for site preparation while the district council agreed to release its land on the 6.5 acre site for office development, intending to subsidise the conference centre from its rents revenues.

But that meant a much larger and more complex development, entailing more partners and more scope for delay.

Continued on Page 2

Edinburgh and Glasgow profiled by **James Buxton**; retail, industrial, new towns, hotels and Aberdeen examined by **Christine Moir**

Confidence building

GLASGOW IS one of the few parts of the UK where those involved in property have some justification for keeping up the optimism natural to their calling. New office developments are still being started, *properties under construction* are being pre-let, rents continue to rise and demand for space outruns supply.

Although the medium term property scene in Glasgow is affected by the drying up of the UK property investment market, which is inhibiting the start of some new projects, *there is a general feeling that* Glasgow got things about right in the past few years.

There was not always that certainty. Even in the mid-1980s the idea that Glasgow could rebuild its economic fortunes, devastated by the collapse of manufacturing, as a centre of service industries *looked questionable; the dream* of attracting companies to locate part of their operations here seemed implausible.

But the revival of the Scottish economy since 1987 and the cumulative effect of the long campaign to improve both the image and the reality of Glasgow produced the *conditions for a steady commercial* property boom from about 1988.

Organisations based in the south of England have relocated operations to Glasgow *and promise to continue*. The image of the city is now of a good, even somewhat glamorous, place to live and to do business. Many people believe that a momentum is now underway which could outlive current uncertainty in the UK economy and property market.

Over the past three years *much of the central business* area of the city, around St Vincent Street, has been rebuilt or heavily refurbished, initially mainly for the benefit of professional firms long established in Glasgow, but increasingly for larger office users.

"To find the space to build a modern state of the art building *in the grid street pattern* of the business core with its listed buildings was difficult," says Mr Ken Campbell of Jones Lang and Wootton in Glasgow. While a number of large new buildings were built, the business district had to expand, partly to provide the large floor spaces required by hi-tech offices.

Initial expansion was to the south in the Cadogan Street area where companies such as International Business Machines recently secured space. But the most dramatic leap is the vast Broomielaw development, which will eventually encompass about 1m sq ft of office space, extending the business core of the city and creating a new waterfront on the river Clyde.

The Broomielaw is the brainchild of Mr Edward Bellhouse *of the developers Bellhouse &* Joseph, which allied itself with Kumagai Gumi, the Japanese construction company, to form Glasgow & Oriental.

The first phase of the scheme, the 275,000 sq ft Atlantic Quay, is due for completion in the spring of 1991. One building, of 120,000 sq ft, has been *pre-let* to Yard, the Glaswegain engineering consultants. Last month TSB Mortgages agreed to take at least 76,000 sq ft to relocate all its operations from London.

According to Mr David Rooney of the chartered surveyors Lambert Smith Hampton, sales and lettings of new office property *in Glasgow* reached a record level in the third quarter of 1990 as new space became available while demand remained strong. British Airways recently agreed to take 50,000 sq ft in Atrium Court on Wellington Street for a reservation centre and the Norwich Union is taking 44,000 sq ft in St Vincent Street for its Glasgow headquarters.

Both British Airways and TSB Mortgages are among a growing stream of businesses which are being lured to Glas*gow through persistent cam*paigning by the Scottish Development Agency's Locate in Scotland offshoot and by Glasgow Action, an public/private sector joint venture.

Over the past three years about 15 organisations have moved operations to Glasgow, or agreed to do so, promising a *total of 7,000 new jobs*.

After British Petroleum acquired the Glasgow-based Britoil in 1988, BP Exploration moved 600 staff from the south of England to Glasgow, and BP now employs 2,000 people in the city, compared with 700 at the time of takeover.

Mr Rooney says that BP's *activities have consistently* affected the property market, most recently through the establishment of expanded *offices by consultants Brown &* Root working on BP North Sea and chemical projects.

Government-driven relocations have sent two sections of the Department of Social Security from London to Glasgow, which have been accommodated in the Northgate, a new "intelligent" office building *developed by DCI, a locally*-based developer, to the north of the central core. Mr Allan Campbell Fraser, DCI's chair*man, hopes shortly to go ahead* with Highgate, a 265,000 sq ft development at Cowcaddens. "We are finalising the funding for it. There is a lot of interest in it but no pre-let."

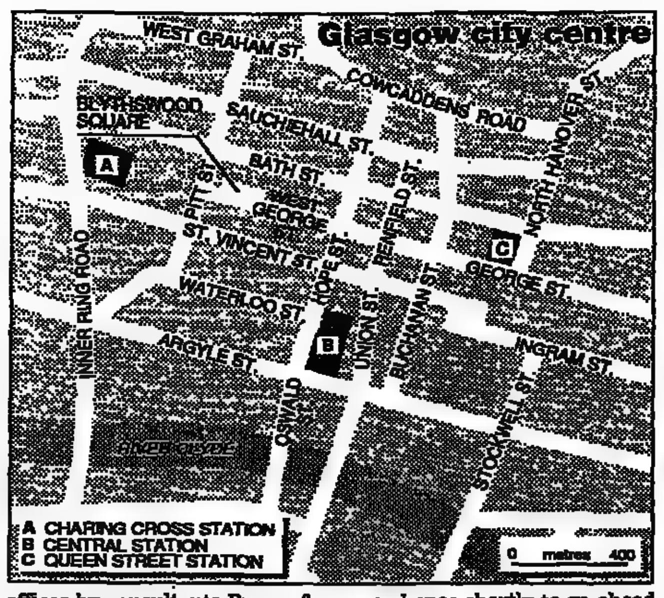
But several schemes in the centre of the city have been halted because property developers have been hurt by high *interest rates and because* the institutional property investment market has diminished. The problems of Sheraton Securities, which had to be refinanced, have so far prevented building work on a site in *West George Street* where demolition had already taken place. Some schemes involving *the failed Rush & Tompkins* are stalled.

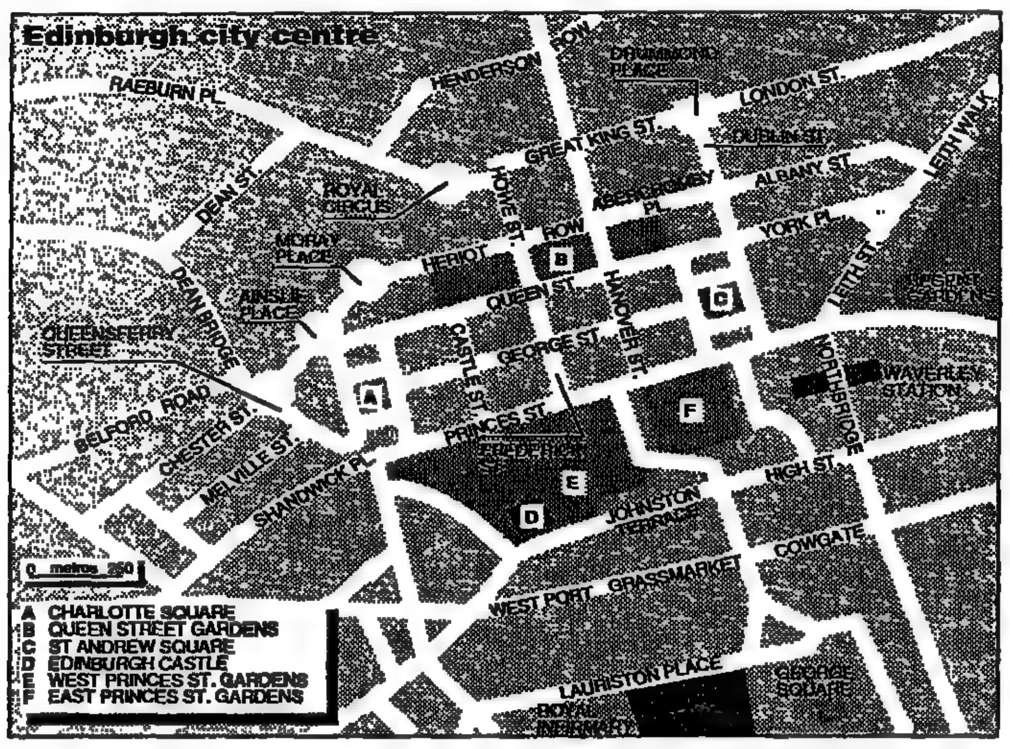
"There will be a serious shortage *of space* becoming available in 1992," says Mr Rooney. "Several large buildings which have been commenced this year will be complete and the market will feel the effect of the slowdown."

Although rents for top quality premises in the centre have been reaching £16 a sq ft and *have even gone up to £17 a sq* ft, Mr Ewan Ferguson at Ryden in Glasgow says that for *smaller properties the market* has already slowed down considerably. "Potential tenants in the 15,000 sq ft to 30,000 sq ft category are window shopping and going away and thinking about it if they don't absolutely have to move," he says.

Developers are also focusing on projects outside the centre. Tilbury Developments is constructing what is claimed will be Scotland's first true busi*ness park on a site close to* Glasgow airport; World Trade Centre Holdings has outline *planning permission for an* office, retail and exhibition complex near the existing Scottish Exhibition and Conference Centre; Stakis, the Glaswegian hotel and leisure group, has made a planning application for a £100m business park off the M8 motorway to Edinburgh; and a scheme by Miller Developments for a mix of retail, housing and business park accommodation for the St *Rollox site at Springburn* has planning consent.

Mr Campbell believes that now that the most up to date office space is available, the longer term momentum will be hard to stop. "The renaissance is well underway," he says.





Edinburgh projects

Continued from Page 1

The initial design for the scheme by the post-modernist architect Mr Terry Farrell, employed by the Edinburgh Development Group consortium, was judged by conservationists to be too tall and too bulky. Recently, Mr Farrell reshaped the entire scheme, cutting down the office space from 1.1m sq ft to 700,000 sq ft.

The revised scheme should *obtain outline planning con*sent in the next few weeks, though much detailed design *work remains to be done*. But the consortium to build it is in disarray. Mr Peter Taylor, chief executive of Sheraton Securities, says he is talking to other potential developers for the site and to prospective tenants. If a tenant were lined up for the first 300,000 - 400,000 sq ft, it would be possible to go ahead "some time next year," he says. "There's no question we are still in it."

*Councillor George Kerevan, Edinburgh's chairman of eco*nomic development and estates, says that whatever happens the conference centre,costing about £25m, will go ahead early next year and will open for business in 1994. If necessary, it would be built by the company formed by the district council and the SDA and funded by the council.

As for the financial centre, he says, "Edinburgh Develop*ment Group has not failed in* any of its obligations to the council. But if hypothetically it *were to decide not to proceed* we would have a design with planning consent and would be ready to go. We could involve new commercial partners or develop the site ourselves."

Some property observers in Edinburgh, however, point to the current reluctance of institutional investors to put money into property and suggest that rents have gone so high that there may not be *much future rental growth*.

New development exists outside the centre. The city has an important lung for development on its western fringe, just inside the new by-pass. Murray International built the Edinburgh West office park. Carroll Caledonian has built South Gyle Park and Miller Developments has finished part of West One, said to be the city's first true business park.

More ambitious is the proposed Maybury Business Technology Park on a 200 acre site *alongside the by-pass*: here Enterprise Edinburgh, a company formed by the district council, plans to develop a large business park with office space, a hotel and leisure facilities, a great deal of car parking, woodland and landscaping.

Success lies in selectivity

THE HISTORY of retail property in Scotland is one of mild over-optimism.

Disasters on the scale experienced down south are rare, but it is not uncommon for last year's hot development site to turn cool. That is the case with Parkhead Forge, intended to bring *upmarket central shop*ping pizazz to Glasgow's east end next to the Celtic football ground. It is now accepted to be about 30 per cent too big. However, the developers, Arlington, need not despair as local agents are confident that it will settle down as a sub-regional centre.

St Enoch's, the Scottish Development Agency-backed scheme to replace Glasgow's third and long-derelict railway station, has fewer problems. With Boots, BHS and Lewis's extension as anchors, it will continue to attract shoppers even though some 10 units are still to let and some are ones *which have come back on the* market within the past year.

The keynote is selectivity. Scottish retail spending continues to be buoyant relative to the south, primarily because of the lower mortgage commitments of the population (26 per cent have mortgages compared with 32 per cent nationally). *Good shops will let at* rentals which continue to break records. Less well located or *otherwise unattractive* units will stick.

Added to that, the number of existing shopping centres in many cities suggests little room for further large-scale expansion.

That prospect casts a shadow, albeit slight, even over Glasgow where plans for two more city centre schemes look a touch ambitious. The new prosperity of Glasgow *lured developers into believing* that so long as a centre was well focussed it would flourish. However, local businessmen no longer expect to see both the Buchanan Centre at the north end of Buchanan Street and the Garden Centre just across the river, thrive. This is in spite of the fact that the former has secured John Lewis, and the latter has a well planned Co-op flagship.

Of the two, the Buchanan scheme has the better prospects, though some feel it *could do with another depart*ment store to ensure survival. The Garden joint venture between the CWS and Scarborough Properties has the double disadvantage of being just outside the core city area, and of being a second attempt at redevelopment of a site where the CWS had failed to operate a hypermarket.

The continuing strength of Glasgow's "string of pearls" – *the traditional shopping streets* of Sauchiehall, Buchanan and Argyle as well as the premier *shopping centre, Princes* Square – means that possible failure of a fourth and fifth central shopping development is hardly cause for despair.

Similar hitches are also occuring in the smaller towns, all well supplied with shopping centres because of the healthy northern economy in recent years. Some, such as Dunferm*line, are still showing growth*. A 100,000 sq ft centre is on the way to supplement the first, built in the early 1980s. Others are at least holding firm, and where the UK national chains are hanging back, Scottish groups are moving in.

Aberdeen remains a special case, marching to the beat of the oil market, but it too may be in for a pause if Mountleigh goes ahead with the shopping centre on the Green, just south of Union Street, so soon after the 250,000 sq ft Bon Accord scheme by Bredero.

On a smaller scale, Ayr, Dumfries and Inverness may not be able to support big new

RETAIL

developments for some time, in spite of confident assertions a year ago that they would soon be swamped by demand.

Once again the demand has become more precise and choosy, which is not to say that it has fallen off. Towns in the south-east of England *would be delighted with a similarly steady market*.

Scottish retail centres also benefit from the traditional emphasis on city centre shopping. In some cases, such as Glasgow, the centre may be starting to bulge: the Co-op's planned Garden Centre pins much hope on the hotel district spreading down to the Clyde.

The overall picture is one of near equilibrium – neither a tenants' nor a developers' market. That may not be exciting, but neither does it portend a *rash of retailing crashes* or empty centres, where the few tenants do not even bother to open the doors, as has happened in the south.

The Edinburgh market is flat, but not slumping. Enormous conservation pressures have prevented central developments for some years now, but the pent-up demand never quite seems to translate into rental growth. Top rents in *Princes Street, for instance*, remain at around £1.50 per sq ft – the same as a year ago, although there are *only* two sizable units available. Attention must focus therefore on the elderly St James's centre just off the east end of Princes Street where the Coal Industry pension funds are shortly to start a big (and overdue) refurbishment.

Ray Clark, a senior surveyor with Donaldson's, sums up the factors: "Edinburgh has a degree of independence from *the south*, but the market is still led by national retailers with a southern perception. *They are marking time at the* moment. That allows Scottish retailers to take their place in prime locations, but it prevents rentals from moving ahead."

هكذا صدر الأصل

INDUSTRIAL

Private sector takes over

INDUSTRIAL DEVELOPMENT in Scotland will change radically when the Scottish Development Agency becomes Scottish Enterprise on April 1 next year. The private sector will come to the fore and take over the role of developing industrial estates. The new Scottish Enterprise will step back, concentrate on its training role and merely provide support and encouragement to industrial developers.

That's the theory. The reality could be different for some time, especially if the English economic downturn moves north. Under the Enterprise and New Towns (Scotland) Act, Scottish Enterprise is still required to identify areas which need industrial development.

It must then persuade the private sector to take up the shovels, if necessary by providing sweeteners. Only if that fails will Scottish Enterprise take action. However, few private sector companies appear to want to rush to fill the role of primary industrial builder, a role which state bodies have performed since the 1940s.

In addition, few industrial estates in Scotland command rents to support new build. The Rutland Group, which bought the smaller portfolio B from the SDA for £16.5m, has just cracked the £5 per sq ft barrier for new units on the Queenslie Estate in Glasgow, one of the 13 in the portfolio. But that is unlikely to provide a strong benchmark for general rental levels for some time.

In portfolio A, the larger group of 60 estates bought for £104.5m by Caledonian Estates, the average rent was £1.20 per sq ft, and the range did not go much above £4.

Significantly, neither Caledonian nor Rutland put new development at the top of their priorities, though both portfolios contain significant amounts of development land. There is already more than enough vacant space to be let to keep both companies busy for the foreseeable future.

There is no pressure on either company to press ahead with development. Caledonian's next priority is to "assess the development land," according to agents Richard Ellis. That assessment will be crucial in at least one important site: The Clydebank Enterprise Zone, one of the plum development sites in the country, ceases to be zoned as a special enterprise area next year.

To complicate matters further, Scottish Enterprise will retain a sizeable portfolio of business centres and development sites for so-called "nest" units, and will continue to own completed estates until it can sell into a buoyant market.

This part of its portfolio has a current value of perhaps £40m, which leaves Scottish Enterprise in a far from vestigial position as a developer/owner, given that Caledonian's £100m purchase catapulted it into third place behind Scottish Metropolitan and Cityside Estates in the ranking of Scottish property companies.

The 60 estates in portfolio A, together with 365 acres of development land, spread from Aberdeen to Dumfries, and from Kilmarnock to Dundee, the largest site being Hillington, described as "the Park Royal of Scotland". In all, there is 7m sq ft of industrial space so far, which amounts to perhaps 7 per cent of the industrial market north of the border. While this makes Caledonian the largest industrial property holder, chairman Mr John Beckwith will be constantly eyeing the 2,000 acres of undeveloped land that Scottish Enterprise retains.

That landbank will continue to depress the market for a long time, notwithstanding the enthusiasm of Mr David Sangster, the SDA's head of property investment, for his new role at Scottish Enterprise.

Even in areas of under-supply, such as Aberdeen, rent increases are unlikely. No new speculative developments are planned in central Aberdeen where rents still have some way to go to break through £4, let alone the £4.50 which developers believe is the minimum for a viable new scheme.

In their view, the SDA has cosseted tenants for so long that true open market rentals rarely apply. It will be a long time, they argue, before a true market economy is in force. Mr Sangster reluctantly agrees.

While the SDA is still around, even in a new form, and ready to let premises for, say, £2.50, tenants will not allow rents to rise to the £4.50 which will attract new development. Without private sector developers, Scottish Enterprise will need to go on developing rents of well below that level or turn away potential industrialists who could boost the Scottish economy.

This aside, the Scottish industrial letting market is not in the decline seen in the south-east. Mr Jim McAllister, chairman of Rutland, sees no slackening in terms of tenant demand. He is also confident of being able to raise rents as they come up for review, and much hard work is going on to prepare a complete overhaul of the patchy lease structures inherited from the SDA.

Rutland also has unusually active management on its estates, which it believes enables it to wring the maximum from rents.

The £5 achieved on the Queenslie Estate shows how effective such a policy can be, but it does impose extra burdens on management and demands extra staff in estate offices.

NEW TOWNS

Time has come to go it alone

EAST KILBRIDE Development Corporation, which runs the oldest of the Scottish new towns, is fighting for its life. It is campaigning to persuade the government that it should not be wound up, as envisaged in the Enterprise and New Towns (Scotland) Act.

The Act provides for each of the five Scottish new towns to lose their special development status over a period of years at the end of which they will no longer be controlled by a development corporation.

Mr John Shaw, managing director of the East Kilbride corporation, clearly cannot imagine any better alternative to the current situation, although he pays lip service to the notion of change. "Nobody believes the new town should go on for ever," he says, "but we should apply the lessons it has taught us about urban development.

"We have learnt the virtue of an integrated economic and physical development approach – the single door approach. Why do we have to keep reinventing the wheel?".

Mr Shaw's chairman, Mr George Young, is even more open about his views, publicly envisaging a management buy-out as soon as the regulations governing the wind up are known. He intends that the staff of the corporation should turn themselves into a local development company which would continue to own, manage and develop the area's industrial and commercial property assets in the same integrated fashion as before.

"The alternative would be the piecemeal disposal of the corporation's £750 million assets, which is not likely to be in the best interests of the community," says Mr Young.

Under Young plan, the town's housing stock would transfer to a housing trust controlled equally by the reconstituted corporation in its buy-out form, the district council and the tenants. This part might appeal to the government, which has already said that it sees no reason to transfer the rented housing to the council. But it is not clear whether the basic concept behind the plan – of maintaining a single, unified body in charge of industrial and commercial development – has the same attractions to government.

The precise details of the wind up have been left to Mr Ian Lang, the Industry Minister for Scotland, and his views are expected to be public before the end of the year. It seems doubtful, however, if government policy would favour the notion of replacing a state-owned monopoly with a private sector replica. Especially since both Mr Young and Mr Shaw insist that they must be permitted to buy the assets at a price which reflects their value only as working capital for a continuing development programme, rather than in terms of open market values.

The argument, which will intensify throughout the autumn, may be a forerunner of others to come in England and Wales. The development corporations have served their purpose very well, attracting industry, jobs and people out of decayed inner city areas to more pleasant countryside environments. Since 1947, when it received new town status, the population of East Kilbride has grown from 2,400 to 70,000, attracted 30,000 jobs and achieved an unemployment level of 7 per cent, handsomely low by national standards.

"The question now is whether the town and eventually the others which followed it, should continue to have, or need, this prop," says Mr David Sangster, head of property investment for the Scottish Development Agency. The SDA is to have a less interventionist role as Scottish Enterprise under the same legislation.

Mr Sangster takes a an opposite position from Mr Young and Mr Shaw. Under the subsidised structure of today, he says, "we have been jointly guilty of fostering over-supply." Mr Sangster believes the new towns can now manage without the paternal superviser and he relishes the idea of normal market forces competing to provide services as and when those offer the prospect of commercial return.

Mr Young's view, however, is shared by a number of the other new town corporation chiefs, notably Mr Bob Watt, chairman of Livingston: "It is paradoxical that at a time when the government is considering winding up the town, we find ourselves in our busiest and most successful period of expansion. There are now well over 22,000 people working in Livingston, most of these jobs created over the past decade."

Mr Watt and his chief executive, Mr Jim Pollok, attribute this success to "the corporation's policy of continually nurturing growth" and believe it vital to make "sites and factories available to meet the need of companies". The unspoken assumption is that this can only be done effectively by a nominated development corporation.

As in East Kilbride, Livingstone's team has a good record of attracting businesses – particularly in electronics. In the spring of this year, for instance, the US company Motorola agreed to locate 2,000 jobs in Livingston. But this, say the proponents of change, is precisely why the towns are now stong enough to return to normal status.

A more circumspect approach is favoured by senior executives at Irvine new town. Chairman Ross Belch is confident that when the corporation winds up, Irvine will be well prepared to meet the challenges of the next century. But then, while East Kilbride must wind down between next year and 1994, Irvine need not start until 1994 and has until 1999 to complete the job.

No wonder Mr Belch has been able to focus his attention on repeating the successs of last year's record year for inward investment when unemployment dropped from 12.8 to 10.6 per cent as a new paper mill opened with 400 jobs and two major American electronics companies brought a further 370 jobs.

A third, not unexpected, faction exists in the form of the local authorities, incensed that the development corporation's housing stock will not become local council housing.

A pressure group called Slant (Scottish Local Authorities with New Towns) commissioned a survey of tenants which showed that 75 per cent would choose the local council as landlord, given the chance. Mr Malcolm Rifkind, the Secretary of State, told Parliament that no such preference had been put to the government.

Meanwhile, Mr Lang is still deliberating and none of the parties knows if the corporation executives will be given a chance to mount a buy-out, let alone at the preferential price Mr Young believes essential.

ABERDEEN

Old plans are dusted off as oil returns

THE OIL capital of Europe continues to live up to its counter-cyclical reputation by proving remarkably buoyant while other Scottish population centres have a flattening commercial property market.

After the first oil boom of the late 1970s Aberdeen went through a much-publicised building boom which led to inevitable over-supply in the early 1980s. That lasted right up to the oil price slump of 1986 with the result that no new space has come on stream in the city since about 1985.

Now that oil, even before the Gulf crisis, is gearing up for a fresh period of exploration by both new and existing companies, the demand for new space is becoming clamorous.

Grampian Regional Council predicts that oil and gas prospects will bring more than 50,000 new jobs to the area. The population of the region is about 500,000 and unemployment is half the Scottish average. The first glimpses of this upturn prompted property developers to dust off old plans as long ago as the second half of 1988 when office rents were still under £8 per sq ft. They are now £12.50 per sq ft and local agent Ryden confidently expects to pass £15 per sq ft within a year.

The first new developer to anticipate the city's re-awakening was R.H. Edmondson, a Cirencester company which bought one of the unlet landmarks of the previous boom, the seven-year-old Victoria Tower.

In June this year, after a thorough refurbishment, Rodney Edmondson was able to let 31,144 sq ft of the total 78,000 sq ft in the tower to Enterprise Oil for £9.30 per sq ft. After selling the tower to Bett Properties, a local investment company, Edmondson plans to move on to develop 35,500 sq ft of top quality office space at Ptarmigan House in the heart of the city. It also has plans for 41,600 sq ft slightly further out at the corner of Harness and Wellington roads. Ryden is predicting rents of at least £15 per sq ft when these come on stream next year.

Edmondson is also preparing to embark on new industrial development in the Altens area about seven miles out on the road south to Edinburgh. Site works are due to start next spring, but there must still be some doubt over the speed with which the company will put staff on site. Local agents in the area report that the market for plots is solid rather than exciting, and rents of about £3.50 or possibly £4 per sq ft are not quite enough to spur a developer into unseemly haste.

The shops market, which responds to the broader local economy rather than just oil, may be going through a settling down phase after a burst of successful new development. The ambitious 250,000 sq ft Bon Accord commercial centre developed by Bredero has been trading since the spring and 90 per cent of units have been let.

While this must bode well for Mountleigh Estates which has consent for a third shopping centre on the Green, south of Union Street, caution may also be called for at a time when Union Street itself is sporting a number of blank fascias. Although rents in the street have topped £100 per sq ft and Bon Accord has reached over £80 per sq ft, the signs may suggest taking a pause.

The focus is likely to be on offices for the foreseeable future, as many as 12 oil companies have identified space needs up to five years hence. Offices will be needed to service new oil fields scheduled for the mid-90s and cannot be accommodated in existing space. While each company may need no more than 30,000 sq ft, the total coupled with demand from existing oil companies, could reach 500,000 sq ft of prime space in a city where annual supply has rarely been higher than 400,000 sq ft.

HOTELS

Sleepless nights ahead

IT DEPENDS who you talk to whether you believe 1990 is turning into a full-blown disaster for the hotel trade, or just suffering more sticky patches than usual.

The evidence is certainly conflicting. While there have been fewer business receiverships than in the south, a record number of business hotels have changed hands. This, some argue, suggests a game of pass the parcel at the end of which the winner will be able to tot up his losses as he comes to pay today's interest rates, the uniform business rate and inflation-hit running costs from the room rates of scarcer guests.

Mr Peter Tyrie, of the Balmoral hotel group, is one of those who reject the gloom-and-doom forecasts. But then his first Scottish hotel investment may be exceptional. After losing the takeover battle for Norfolk Capital group, Balmoral has been sold a package of hotels by the winner, Queen's Moat, which includes the North British hotel on Edinburgh's Princes Street. Tyrie will have spent £32 million on the 5-star purchase when it re-opens next year as the Edinburgh Balmoral, including £20 million on refurbishment.

A clean out by Embassy Hotels (part of Allied) of its portfolio brought another Princes Street hotel onto the market in the late summer. At £60,000 per bed, it was "possibly cheap", says Christie & Co, the specialist hotel agency. But the agency is not so sanguine about some of other deals being struck.

Upmarket tourism and business trade have increased greatly in Scotland in the last two or three years. But so have the numbers of hotels servicing this sector. In Glasgow, in particular, there is a looming glut of 5-star and 4-star accommodation.

Most of the hotels in this category are part of important groups, such as the new Hilton under construction next to the M8 motorway, but not all. For instance, an Edinburgh hotel couple, Brian and Anne Galt, have taken over a 55-bed upmarket building next to the new Glasgow International Concert Hall, and are upgrading it to 60 beds with conference facilities.

Both cities also have examples of the new townhouse hotels. In Glasgow, the former Liberal Club is being converted by Hidden Hotels into a 32-bed townhouse with conference facilities, next to the Galts' project. In Edinburgh, another pair of townhouse hotels will soon rub shoulders in Devonshire Gardens.

Such specialist niche operators will put pressure on the big, impersonal business bed factories still contemplated in less central positions. These must pin their hopes on the start of direct flights to the US from Glasgow airport earlier this year and on the after-effect of Glasgow's year as European City of Culture.

Again, the signs are mixed. Occupancy rates in Glasgow were said to be 90 per cent in the first half of the year, but in late September Christie put them in the low 60s, Edinburgh the high 60s. That is fair enough for the late summer "shoulder" season, but not encouraging for the ambitious number of new schemes.

Scotland is better known for its country house hotels and small inns – and here the market has varied. The market for very small inns is reported to be highly active, not uncommon for this time of year when so many beginners decide to bale out. More significant may be that prices have softened this year as new entrants, particularly from across the border, are less eager, because of interest rates, inflation and the uniform business rate.

The country house market, which in Scotland is frequently part of a sporting estate, may be riding the recession better. Good country houses are rarely available, but even fewer than usual are coming onto the market. Of those that are, the only sign of a downturn, says Christie, is that fewer are being sold by sealed tender or at more than the asking price. But that, believes the agency, may reflect the difficulty southerners have in finding a buyer for their own property rather than a disillusionment with the Scottish market.

Only one type of hotel seems in obviously short supply, and that reflects its traditionally poor image – the budget inner city hotel. Roger Tym & Partners, development economists and planners, notes that Glasgow's tourist board and district council are worried that only 18 per cent of the city's bed space is in the low cost category. From the operator's point of view, city centre site and property values are too high.

Eastern promise attracts developers

By Vanessa Houlder

A developer's paradise? Or a morass of crumbling infrastructure and legal complexity? As the cities of East Germany emerge from the long shadow of the second world war, the enthusiasm of overseas developers varies drastically.

Bomb sites gape in the boulevards, crumbling buildings are boarded up and offices and shops are scarce and dilapidated. "It is like looking at a time capsule," says Mr Ronald Nathan of Waterglade, which expects to make its first investment in east Germany by the start of next year.

For pioneers such as Waterglade, the attractions of cities in east Germany are manifest.

For one thing, there is the potential strength of the German economy over the next five to 10 years. For another, there is the accessibility of the east German market, which far outstrips any of the rest of the eastern bloc. Unlike Hungary, Czechoslovakia and Poland, east Germany is importing a tried and tested system of land law and planning procedures. In addition, there will be no problems concerning currencies or repatriating profits.

Moreover, there is the promise of relatively high rents, where demand outpaces supply. Mr Nathan thinks rental values for offices in east German cities will be DM40-50 per square metre per month compared with average rents of DM85-90 per square metre per month in Frankfurt and DM25-40 per sq metre per month in Hamburg and Dusseldorf.

However, these attractions are tempered by considerable problems. It is always difficult to operate in an overseas market – memories of the disastrous attempts by UK developers to move into the West German market in the early 1970s are vivid. This customary caution is exacerbated by concern over:

● Land rights – the most serious obstacle to new development. Possibly as much as a fifth of east German property is subject to claims from former owners, who had their land seized by the Communist government. As a result, it has been illegal for the East German state to sell property to western investors.

That, however, is about to change. In an effort to stimulate investment, the German government has – contrary to its initial plans – decided to compensate former owners rather than return their land. The current plan is to pay people the value of property when it was expropriated, plus 1 per cent a year interest on that sum. All claims for compensation must be received in about a week's time.

● Infrastructure. After land *rights this is the most serious issue facing would-be developers.* In the east, the road, rail and telephone systems are *all in poor condition. Trains cannot travel* at more than 40mph because of the state of the track, many roads have not been altered since before the second world war and telephones are difficult to obtain and notoriously time-consuming to use. "There is fantastic demand for offices but it is *a question of getting the infrastructure there to cope with it. People* will hold onto land until problems are sorted out," says Mr Nathan.

● *Planning. Although east Germany* will assume West German planning procedures, it will take officials considerable time to work out matters such as zoning plans. Meanwhile, the German government will attempt to regulate new development. In east Berlin, for example, officials have been work*ing out a strategic plan for the city. "They see it as a fantastic opportunity* to get the planning right," says *Mr Robert Campbell, a partner of Jones Lang Wootton.*

● General lack of information. Several UK surveyors, headed by Jones Lang Wootton, which opened a Berlin office in April, have been carrying out research on east German property in the past few months.

However, it has been impossible to value the land. Even in what *used to be East Berlin it is difficult to gauge how prices* will compare with the West. The difference in the *quality of the infrastructure will drastically distort the values of* property separated by just a few hundred yards.

It seems inevitable that companies from west Germany will dominate the property market. For several months, West German developers have been scouring East Germany for land to erect new buildings as well as existing buildings to refurbish. West German businesses planning to expand into the east have also been looking for premises.

However, foreign developers are also expected to play a part. The most prominent players will be the Scandinavians, followed by the Dutch, French, British and ultimately the Japanese and Germans, in the view of Mr Chris Bull-Diamond of Weatherall Green & Smith, a chartered surveyor with offices in Frankfurt and Munich.

He reckons that a handful of UK companies are already sniffing around. Many, however, will prefer to play a waiting game. MEPC says that its involvement in West Germany has spurred it to look carefully at investment in the east, However, no moves are planned until the legal complexities have been ironed out, according to Mr Roger Squire, a director. "The big problem is the legal environment. We are interested but there are still a lot of problems," he says.

Initially, developers are likely to home in on Berlin. But companies such as Waterglade are also plan*ning developments in Leipzig and* Dresden. "The development of Dresden and Leipzig will perhaps be a *bit slower but it will be easier to organise than* Berlin where there is the problem of putting together two large cities," says Mr Campbell.

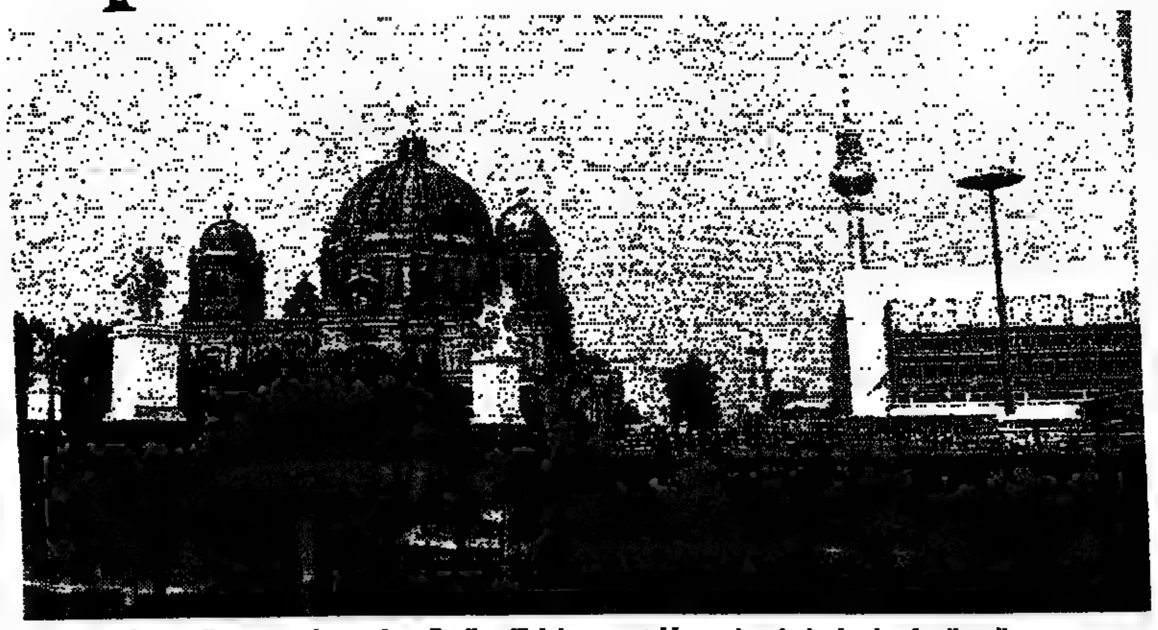
In all these cities, developers are likely to concentrate on the centre. "The prime areas need to be revived. It is a matter of three or four streets in central locations," says Mr Nathan.

Overseas developers will be discriminating about the segment of the market they enter. Although there is intense demand for improved housing, this market is traditionally dominated by local players. Similarly, the upgrading of industrial property is likely to be left to German companies. Foreign developers may also be reluctant to become involved in the retail market. "I don't think people will go into the retail market because the spending power is not there, adds Mr Campbell.

Hotels and offices are the most probable targets of foreign interest, in the view of Mr Nathan. He cites the example of Spain and Portugal, which saw a spate of office and hotel developments by foreigners when they joined the EC.

Waterglade itself intends to focus on speculative office buildings, although it hopes it will secure some pre-lettings. "The initial demand will be to satisfy international companies, like the big accountancy firms, the major law firms, big banks, multinationals like ICI, which demand an early presence," says Mr Nathan.

The enthusiasm of would-be developers is shared by industry advisers. "There will be a lot of windfall profits for people who get them right," says Mr Chris Bull-Dia*mond.* However, nobody believes that the pickings will prove easy. *"One has to be very realistic about it. It will take a lot of* time for the economies to get up to speed," says Mr Campbell.



Emerging from a time capsule: eastern Berlin officials are working out a strategic plan for the city

CAPITAL GROWTH (%)

	Retail	Office	Industrial	All Property
Year to Aug 1990	-9.5	-5.7	-1.8	-6.5
Quarter to Aug 1990	-4.3	-5.1	-3.8	-4.5
Month of Aug 1990	-1.9	-2.4	-0.9	-1.9

Source: Investment Property Databank

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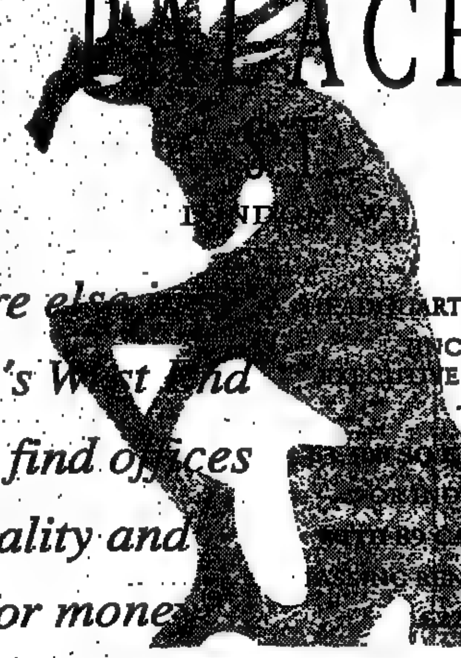

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SHIP HOUSE

BATTERSEA SQUARE

UP TO 18,750 SQ FT

QUALITY OFFICES

TO LET

CONTACT

Gregory Porter
NELSON BAKEWELL
071 629 6501

John Hennings
HENNINGS HUME
071 408 1270

THE ONLY ADDRESS WORTH HAVING

SUPERB NEW OFFICES
FOR SALE
TO LET
7,100 SQ FT

RAFFETY BUCKLAND Commercial
(0753) 850311

Chesterton
0734 502525
071 499 0404

S·L·O·U·G·H

On the instructions of Hitachi Europe Ltd

BEACONTREE PLAZA · READING
BUSINESS UNITS 2230 - 9000 SQ. FT.
FITTED FOR IMMEDIATE OCCUPATION
LEASES AVAILABLE
CLOSE TO JUNCTION 11 OF THE M4

VIGERS 071-499 9966

---

25 SHELTON STREET

COVENT GARDEN

2,000-5,500 SQ FT

REFURBISHED
OFFICE FLOORS
TO BE LET

HERRING SON & DAW
071-734 8155

ON THE INSTRUCTIONS OF THE RECEIVER

ROSEBERY House
EC1

New Self-Contained Air-Conditioned Office Building
4,332 SQ FT
Freehold For Sale — Offers In Excess Of £800,000

071 242 0333

FULLER PEISER 071-936 2233

TO BE LET · LONDON W1

8 GRAFTON STREET

Rent only £25 sq ft until June 1992 Nil Premium

MAYFAIR
33,507 SQ. FT.
HEADQUARTERS BUILDING

HERRING SON & DAW
Consultant Surveyors
20/28 Sackville Street London W1X 2QL
071-734 8155

5-6 CORK STREET

Leases now available at Nil Premium. Will let in floors

FROM 1,680 TO 16,293 SQ. FT.
MODERN AIR CONDITIONED OFFICES

22-23 OLD BURLINGTON STREET

Leases now available at Nil Premium

6,758 SQ. FT.
SUPERB PERIOD OFFICE BUILDING

16 GOLDEN SQUARE

Rent only £19 sq ft until Sept 1992 Nil Premium

6,371 SQ. FT.
EXCELLENT PERIOD BUILDING

BUCHANAN HOUSE

S W 1

3 ST. JAMES'S SQUARE · LONDON

MODERN AIR - CONDITIONED OFFICE ACCOMMODATION

1,800 - 8,500 SQ FT

EXCELLENT VALUE

HODNETT MARTIN SMITH 071-839 8181 · REDDIN-CLANCY &COMPANY 071-935 2175 · JONES LANG WOOTTON 071-493 6040

---

97 - 99 PARK STREET MAYFAIR

HIGHLY PRESTIGIOUS SELF-CONTAINED OFFICES TOTALLING 4,450 SQ FT NET

Plus two self-contained two-bedroomed business apartments

TO LET

Sole Agent
Philip Andrews
071-486 5991
2 Duke Street Manchester Square London W1M 6AA Fax 071-486 9817

PROPERTY

The Rent will be paid before the dividend

Selection of Retail Investments for sale let to Major Companies, Banks and Public Limited Companies.

Lot Sizes £100,000 to £2,000,000 Yields range 10% to 22% net of costs Please apply Principals only to

Martin Clarke & Company, Chartered Surveyors, 87, Arlington Road, London, NW1 7ES

Tel: 071 383 4086, Fax: 071 387 6335 Ref: MCC

MAYFAIR

OUTSTANDING OFFICE HEADQUARTERS
5,800 sq ft
long lease for sale

L. Browning 071-499 8644 · P Glinsman 071-493 7050

FOR SALE WREXHAM NORTH WALES

Valuable Retail Site in the Town centre with planning permission for a 35,000 sq.ft. food store.

Further details from
B Trepess FRICS
Edmund Kirby
Tel: 051 236 4552

Berkeley Square W1

Immediately available - luxuriously furnished, self-contained, air-conditioned double office suites with full service/term by arrangement. Suitable for two/three executives.

For full details please contact:-
Nightingale Secretarial,
3 Berkeley Square,
London, W1X 5HG
Tel: 071-629 6116
Fax: 071-491 4811

A Superb Mayfair Office Refurbishment

No 36 UPPER BROOK STREET MAYFAIR W1

5,000 Square Feet To Let

All enquiries to:
071 408 1161

JAMES & LISTER LEA

Unusual Investment Opportunity
FOR SALE

- Reversionary interest in 292 acres of agricultural & forestry land
- Mineral royalties and timber sales producing £1.4 million over 7 years.
- 15 miles from Birmingham on the A38

All enquiries to:
JAMES & LISTER LEA
021-200-1100

SHORTLONG TERM Furnished offices in W1 - available now.Tel. 071-734 7282.

Colin Mayall

Surveyors, Valuers and Estate Agents

RESIDENTIAL HOME FOR THE ELDERLY PERTHSHIRE

- Superb sandstone building in acre of ground amidst pleasant gardens
- Small country town ideally located for access to main centres of population
- Registered for 22 residents with detailed planning permission for architect designed unit for further 10 persons
- Owners flat
- High occupancy & return, well run & established business with further potential
- Full details available on request from sole agents Colin Mayall, Estate Agents, 11 West High Street, Crieff PH7 4AU

Tel. 0764 2001 or Fax 0764 4991

Enterprise Zone Developments

100% Tax Relief

FOR INDIVIDUALS AND COMPANIES

100% IBA's are available on Industrial and Business units in two of the UK's leading Enterprise Zones:
CORBY and TYNESIDE
with GUARANTEED construction completion before the end of their designated period - mid 1991.

Investment Opportunities are also available within post '91 zones
Prices range from £70,000 for individual properties

Contact: Claire Hobson
EZD Property Group Plc. World Trade Centre, London E1 9UN. Tel: 071 480 7513

Enterprise Zone Developments

BRITAIN'S FIRST BUSINESS RELOCATION EXHIBITION

AT THE CUMBERLAND HOTEL, MARBLE ARCH
OCTOBER 30TH - NOVEMBER 1ST / OPEN 11AM - 7PM
Featuring: Development Agencies, National House Builders, Relocation Agents, Finance Organizations, Management Consultants, Commercial Builders etc.
PLUS OUR COMPREHENSIVE DAILY SEMINAR PROGRAMME
For a FREE invitation or further information, contact:
The Business Relocation Exhibition, Cresta Publishing Ltd, 387 City Road, London, EC1V 1NA

INTERNATIONAL INVESTOR

has £100 million available to invest in commercial property in central London. Lot sizes 10-50 million, fully let, freehold. Looking for yields of 12% equivalent or more. Can make fast decision. Will also consider buying stake in property company.

Write c/o Peter Spencer,
170 Sloane Street, London SW1X 9QJ

Join Midland Bank, Toshiba, Sun Micro Systems, Royal Life, Nichicon, Deutsche Mitsomi and others in one of the best working environments in the UK. Highest quality business space is available to let from 500 to 3,300 sq ft in individual suites with full central services including secretarial facilities, boardroom and management services at the most competitive rents. Leases are available for 5, 10, 15 and 25 years. Ample car parking is also provided.

Phone Gary M Leigh on 071-925 2383 for further details of the award winning Coliseum Business Centre at Watchmoor Park, Camberley, Surrey.

FOR SALE

Three recently refurbished luxury Apartments plus planning permission for a further new build of five, situated on a one acre site in the most prosperous area of N.W. England. Prudential valuation of completed project £2.7 million. For further information contact Patrick Gibbon on 061-236-8762 Fax 061-929-1417

FOR SALE,

Letchworth, Herts. 2 miles from Junction 9 A1(M). 25,000 sq.ft modern B1 building, 50% offices, 50% production space. Residue of 990 ground lease. Site 2 acres, coverage only 29%. FURTHER DEVELOPMENT POTENTIAL.

Sole agents, Wood & Co., 96 Mount Street, London W1Y 5HG, Tel: 071 493 3975, Fax. 071 499 4165.

BERKELEY STREET W1 820 sq ft Offices To let at only £16.50 sq ft All enquiries 071 583 9844

QUEEN ANNE STREET/WIMPOLE ST W1 Superb office/residential suites 500/1320 sq ft - Immediate possession fully re-furbished to high standard including telephones, telex, carpeting, 24 hour access, fitted kitchen and shower room. Short or medium term lease by arrangement. Rent upon application. 071 935 9188.

Commercial Property in the F.T.

The Financial Times proposes to publish the following surveys.

23 November Property Investment & Finance

30 November Property in Greater Manchester

For a full editorial synopsis or advertisement details, please contact:

Tessa Taylor on 873 3211
Edward Batt on 873 4196
Peter Shield on 873 3286

or write to them at
Financial Times, One Southwark Bridge, London SE1 9HL

Detached Victorian

small office block 510 sq.ft. in Mews Centre Wimbledon Village. Excellent condition G.C.H. Very quiet.
Freehold: £210,000.
Tele: 081-946 1414 or 071-581-3035

INTERNATIONAL PROPERTY

MORTGAGEE'S REAL ESTATE & SECURED PARTY SALE

October 30, 1990 at 11.00 am
EXETER MILL - Exeter, New Hampshire
Exceptional Investment Opportunity in River Front Residential Community
Sale on the Premises
Chestnut and Spring Bridge Streets
Exeter, New Hampshire

This distinctively planned river front community incorporates a collection of dramatically restored 19th century brick mill buildings with new construction. It consists of approximately 9,084 square feet of fully leased commercial space and 140 luxury residences. Fifty-six residences have condominium approvals. The property boasts such amenities as indoor parking, health facilities and an indoor pool and is located on the Squamscott River in the heart of a picturesque New England setting. With easy access to Boston, Portsmouth and Manchester, New Hampshire, this property offers outstanding investment opportunity.

Terms of Sale: To qualify to bid, bidders must place $250,000,00 on deposit with the auctioneer, in cash, by certified check or other form of payment acceptable to Mortgagee, prior to the commencement of the auction sale. The deposit of the successful bidder shall be applied by the Mortgagee as a deposit on the Mortgaged Premises at the time of sale. All other deposits placed with the auctioneer shall be returned to the unsuccessful bidders at the conclusion of the sale. The balance of the purchase price must be paid in full by the successful bidder in cash or by certified cheque on or before the 45th day after the date of the sale

Information Package: Available to Prospective Bidders upon request

Mortgagee's Attorney: Keith J. Cunningham, Esq.,
Devine Millimet & Branch, Professional Association, 111 Amherst Street, Box 719 Manchester, New Hampshire 03105 (603) 669 1000

JOSEPH FINN CO., INC.
AUCTIONEERS · APPRAISERS
FAX 617-964-7827 Mass. License #216
188 Needham St., Newton, MA 02164 • 617-964-1888

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375 PARK AVENUE

THE SEAGRAM BUILDING

Office Suites To Meet Your Immediate Requirements 1,000 to 5,000 Square Feet

Brian D. Gell 984-8064
Bruce E. Moses 984-8068

Exclusive Leasing and Managing Agent
ESG
EDWARD S GORDON COMPANY INC
An Office Network affiliate

CAISSE PRIVEE BANQUE

A TOUCH OF ART IN BANKING

BRUSSELS - FOR SALE
Excellent Locations :

- grounds for construction of appart. - hotel 6,000 m² available for development
- grounds for construction of an office building +/- 12,000 m²
- grounds construction of a commercial arcade 4,500 m²
- villas, houses and apparts. with great standing

Further details : Property Department
Fax: 00/32 2 518.94.69 Tel: 00/32 2 518.92.49

ROME

The ideal place for your branch in Italy

Top location for rent or sale with 400 m frontside along the Highway 'Autostrada del Sole'. Only 12 km from Downtown Rome.

27'000m² of Commercial Centre

For information: STUDIO FIDUCIARIO IMMOBILIARE SA
Via Dufour 2, CH-6900 LUGANO
SWITZERLAND - Tel. 91-22 84 33/4/5
Fax 91-22 60 49

EXCEPTIONAL INVESTMENT OPPORTUNITY

New golfing, prime site development south of Spain. 25 minutes drive from Gibraltar. Luxury 4 star, 150 bedroom hotel, plus 163 apartments. All on beach and adjacent to golf course and award marina.

Contact Mr. Thaon, Mediterranean Investments Limited
Tel: (44-71) 323.6542 Fax: (44-71) 631.0035.

GIBRALTAR

Finest property investments available in prime positions in Gibraltar, (office buildings and residential/commercial buildings)

Write to Box No. A966, Financial Times, One Southwark Bridge, London SE1 9HL.

AUCTION

WEDNESDAY, OCTOBER 17, 1990

8 MAJOR INVESTMENT PROPERTIES & DEVELOPMENT SITES

New York City
Philadelphia
Westchester Cty

PROPERTIES AT AUCTION

FOR SALE

Important restaurant - bar - with apartment in the center of Lausanne, Switzerland specialising in Chinese gastronomy. Posibility of obtaining residence / work permit. Contact: Panoramic Montrex SA Switzerland FAX 21-9440119.

PRINCIPALITY OF MONACO

PRESTIGIOUS OFFICES IN THE CENTER OF MONTE CARLO

For rent 435 sq.m. in a luxury building nearing completion; superbly decorated and partitioned close to major banks and hotels, with parking space and cellars
UNIQUE LOCATION

For further details please contact the Exclusive Agent

A.G.E.D.I.
26 Bis Bd Princesse Charlotte
MC 98000 MONACO
Tel (33) 93.50.66.00.
Telex 479417MC
Fax (33) 93.50.19.42

ERI Commercial

FOR SALE

Obtain your residence/work permit in Spain by an unique real estate investment - a block of 5 apartments for $600'000.- Finance available.

Contact: Panoramic Montrex SA Switzerland Fax: 21-9440119

HOLLAND INVESTMENT PROPERTY £40,000. Block of 3 apartments producing 9.5% net. Centre of Rotterdm. 80% mortgage at 8.8%. Details: OSBORNES SOLICITORS 93 Parkway, London NW1 7PP. Tel: 071 485 8811, Fax: 071 482 3824.

COMMERCIAL FINANCE & RESTRUCTURING

Interest rates from 1.4% above bank base rate for good propositions.
100% funding on investment properties for professionals.
Low start schemes from 9.9%. (Charged at 14.95%). For further information call Hugh McHardy or Tim Hyde.
Tel: 081-947-7414 Fax: 081-947-3514
or send written proposals to

BAYMIST LIMITED
24, High Street Mews, Wimbledon Village, SW19 5EG.

FIMBRA

CONTRACTS & TENDERS

INVITATION FOR BIDS

Loan No: 2602 TU
File No : ISB/RH-8
Order No:
Date of issuance: 5.10.1990
Bid Submission Date: 20.11.1990

1. The TURKISH ELECTRICITY AUTHORITY, hereinafter referred to as TEK, has received a loan amounting 140.000.000 USD from the WORLD BANK in various currencies towards the cost of Power Systems Operations Assistance project and part of the proceeds of this loan will be applied to eligible payment under the Contract(s) for which this Invitation For Bids Issued.

2. The TURKISH ELECTRICITY AUTHORITY now invites sealed bids from eligible Bidders from supply and installation of Acoustic Steam Leak Dedector.

   All the above equipment shall be supplied and installed according to the Bidding Documents.

3. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the office of:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Commercial Affairs Department
   Inönü Bulvari No:27 Kat:1
   Bahçelievler Son Durak
   ANKARA/TURKEY
   Telex: 42245 tek tr
   Telefon: 3261-3260

4. A complete set of Bidding Documents may be purchased by any interested eligible bidder on the submission of a written application to the above office and upon payment of a non-refundable fee of 200 USD or 500.000 TRL at the following address:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Department of Finance
   Inönü Bulvari No:27 Kat:4
   Bahçelievler Son Durak
   ANKARA/TURKEY

   Those Bids submitted by the Bidders who bid not purchase the Bidding Documents shall be rejected.

5. All bids must be accompanied by a bid security in an acceptable form of 3% (three percent) of the bid price and must be delivered to the above office on or before 14.00 hours on 20.11.1990.

6. Bids will be opened in the presence of those Bidders representatives who choose to attend at 14.00 hours on 20.11.1990 at the office:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Procurement Commission
   Inönü Bulvari No:27 Entrance Floor Block A
   Bahçelievler Son Durak
   ANKARA/TURKEY

INVITATION FOR BIDS

Loan No: 2602 TU
File No :
Order No: ISB/RH/-7
Date of issuance: 5.10.1990
Bid Submission Date: 20.11.1990

1. The TURKISH ELECTRICITY AUTHORITY, hereinafter referred to as TEK, has received a loan amounting 140.000.000 USD from the WORLD BANK in various currencies towards the cost of Power Systems Operations Assistance project and part of the proceeds of this loan will be applied to eligible payments under the Contract(s) for which this Invitation For Bids Issued.

2. The TURKISH ELECTRICITY AUTHORITY now invites sealed bids from eligible Bidders for supply and installation of Flue Gas Analyzers.

   All the above equipment shall be supplied and installed according to the Bidding Documents.

3. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the office of:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Commercial Affairs Department
   Inönü Bulvari No:27 Kat:1
   Bahçelievler Son Durak
   ANKARA/TURKEY
   Telex: 42245 tek tr
   Telefon: 3261-3260

4. A complete set of Bidding Documents may be purchased by any interested eligible Bidder on the submission of a written application to the above office and upon payment of a non-refundable fee of 100 USD r 300.000, -TRL at the following address:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Department of Finance
   Inönü Bulvari No:27 Kat:4
   Bahçelievler Son Durak
   ANKARA/TURKEY

   Those Bids submitted by the Bidders who bid not purchase the Bidding Documents shall be rejected.

5. All bids must be accompanied by a bid security in an acceptable form of 3% (three percent) of the bid price and must be delivered to the above office on or before 14.00 hours on 20.11.1990.

6. Bids will be opened in the presence of those Bidders representatives who choose to attend at 14.00 hours on 20.11.1990 at the office:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Procurement Commission
   Inönü Bulvari No:27 Entrance Floor Block A
   Bahçelievler Son Durak
   ANKARA/TURKEY

COMPANY NOTICES

BBV BANCO BILBAO VIZCAYA

SECOND INTERIM DIVIDEND 1990

The Board of Directors of Banco Bilbao Vizcaya has approved the payment of a second interim dividend for the financial year 1990 on all shares in issue, numbered 1 to 231,000,000, as follows:

Gross Dividend	Tax	Net Dividend
36 Ptas	9 ptas	27 ptas

Date of payment: On or after 10th October 1990
Place of payment: At the Head Office or branches of Banco Bilbao Vizcaya or its subsidiaries.

HOLDERS OF INVESTOR DEPOSITARY RECEIPTS (IDRS) should present Coupon No. 17 at one of the offices listed below:

Hill Samuel Bank Limited
45 Beech Street
London EC2P 2LX

Morgan Guaranty Trust Co. of New York
Avenue Des Arts, 35
Kunstlaan, Brussels 1040

IDR holders will receive sterling converted at the rate of exchange ruling on the day of presentation of their coupons, and payment will be made five business days from that date. In the case of coupons presented for payment in London, UK tax will be deducted, unless accompanied by an Inland Revenue Affidavit of Non-Residence.

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE AND VIEWS ON THE PROPOSED MERGER BETWEEN BRITISH AEROSPACE PLC AND THOMSON-CSF SA

The Monopolies and Mergers Commission is inquiring into this proposed merger between British Aerospace and Thomson-CSF of their respective businesses relating to the design, manufacture and sale of guided weapons systems, to determine whether or not such a merger might operate against the public interest.

The Commission would like to hear from those who have information which could help the inquiry, and from those who have views on the proposed merger. Please write by 19 October 1990 to The Reference Secretary (British Aerospace/Thomson-CSF), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

هكذا من الأصل

BUSINESSES FOR SALE

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

THE DREXEL BURNHAM LAMBERT GROUP INC., ET AL., Debtors.

Chapter 11 Case No. 90 B 10421 (HCB)

NOTICE OF ENTRY OF BAR ORDER FIXING LAST DAY TO FILE PROOFS OF CLAIM OR PROOFS OF INTEREST AGAINST DEBTORS

TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST OR EQUITY INTERESTS IN ANY OF THE FOLLOWING DEBTOR ENTITIES:

PLEASE TAKE NOTICE, that the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") has entered *an order dated July 23, 1990 (the "Bar Order") requiring all persons and entities, including individuals, partnerships, corporations, estates, trusts and* governmental units, EXCEPT THOSE PERSONS AND ENTITIES DESCRIBED IN PARAGRAPHS A THROUGH C BELOW, that assert a claim (as defined below) against or equity interest in any of the following Debtors (collectively, the "Drexel Entities" or "Debtors") which arose at or prior to the respective chapter 11 filing dates:

Drexel Entity	Filing Date
THE DREXEL BURNHAM LAMBERT GROUP INC.	February 13, 1990
DREXEL BURNHAM LAMBERT TRADING CORPORATION	May 9, 1990
DREXEL BURNHAM LAMBERT TRADE FINANCE INC.	May 15, 1990
DREXEL BURNHAM LAMBERT INCORPORATED	May 29, 1990
BRB INCORPORATED	May 29, 1990
DEAUVILLE UNITED CORPORATION	May 29, 1990
DOUBLE OIL & GAS INCORPORATED	May 29, 1990
DREXEL BURNHAM LAMBERT (ASIA) LTD.	May 29, 1990
DREXEL BURNHAM LAMBERT C.P. INC.	May 29, 1990
DREXEL BURNHAM LAMBERT CAPITAL GROUP INC.	May 29, 1990
DREXEL BURNHAM LAMBERT CARIBE INTERNATIONAL INCORPORATED	May 29, 1990
DREXEL BURNHAM LAMBERT COMMERCIAL PAPER INCORPORATED	May 29, 1990
DREXEL BURNHAM LAMBERT INTERNATIONAL INC.	May 29, 1990
DREXEL BURNHAM LAMBERT INVESTORS CORP.	May 29, 1990
DREXEL BURNHAM LAMBERT MBI CORP.	May 29, 1990
DREXEL BURNHAM LAMBERT PRODUCTS CORP.	May 29, 1990
DREXEL INVESTMENT HOLDINGS INC.	May 29, 1990
FIRST DBL CORPORATION	May 29, 1990
DREXEL BURNHAM LAMBERT GOVERNMENT SECURITIES INC.	June 20, 1990

to file a written proof of such claim or interest with The Drexel Burnham Lambert Group Inc., by mailing the proof of claim or proof of interest to P.O. Box 95, Bowling Green Station, New York, New York 10274-0095 or by delivering the same to the Clerk, United States Bankruptcy Court, Room 614, Old Custom House, One Bowling Green, New York, N.Y. 10004, by hand delivery or courier service (but not by U.S. mail), so that it is actually received on or before November 15, 1990 (the "Bar Date"). Such proofs of claim or proofs of interest will be deemed filed only when they are actually received.

As used herein, the term "claim" means (a) right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; or (b) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

PLEASE TAKE FURTHER NOTICE THAT if you are required to file a proof of claim or proof of interest and fail to do so in the manner prescribed, you will be forever barred from voting upon, or receiving distribution under, any plan or plans of reorganization for any of the Drexel Entities, and will be forever barred from asserting any such claim or equity interest against any of the Drexel Entities or their successors or assigns, EXCEPT THAT:

A. ANY PERSON OR ENTITY THAT HAS ALREADY FILED A PROOF OF CLAIM OR PROOF OF INTEREST AGAINST THE DREXEL ENTITIES WITH THE CLERK OF THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK (OR IN CARE OF THE DREXEL ENTITIES TO THE P.O. BOX SPECIFIED HEREIN) NEED NOT FILE A DUPLICATE PROOF OF CLAIM.

B. ANY PERSON OR ENTITY (i) WHOSE CLAIM IS NOT LISTED AS "DISPUTED", "CONTINGENT" OR "UNLIQUIDATED" IN THE DREXEL ENTITIES' SCHEDULES OF LIABILITIES FILED WITH THE CLERK OF THE BANKRUPTCY COURT AND (ii) THAT AGREES WITH THE CLASSIFICATION AND AMOUNT SET FORTH THEREIN NEED NOT FILE A PROOF OF CLAIM.

C. THE CLAIMS AND INTERESTS DESCRIBED BELOW ("EXCLUDED CLAIMS") ARE NOT AFFECTED BY THIS NOTICE OR THE BAR ORDER AND THEREFORE ANY PERSON OR ENTITY THAT HAS AN EXCLUDED CLAIM NEED NOT FILE A PROOF OF CLAIM ON OR BEFORE THE BAR DATE FOR SUCH EXCLUDED CLAIM. ALL OTHER PROOFS OF CLAIM OR PROOFS OF INTEREST MUST BE FILED ON OR BEFORE NOVEMBER 15, 1990, THE BAR DATE:

1. Participants in and beneficiaries of any Debtor's pension plans (the "Pension Plans") need not file a proof of claim for any claim arising in connection with post-retirement or pension benefits provided thereunder; provided, however, that any current or former employee of a Drexel Entity or his or her successors, heirs or beneficiaries who wish to assert a claim against any Drexel Entity that is not based solely upon pension benefits as provided for in such Debtor's Pension Plans (e.g., claims for eligibility or denied claim appeals from the Pension Plans, grievance claims, claims in respect of employee welfare plans, wrongful termination, employee discrimination, personal injury, wrongful death, etc.) must file a proof of claim on or prior to the Bar Date, unless another exception provided for herein applies;

2. Any Drexel Entity holding an intercompany claim against another Drexel Entity;

3. Any person or entity *(i) whose name is listed on the List of Equity Security Holders filed by The Drexel Burnham Lambert Group Inc.* ("Group") pursuant to Bankruptcy Rule 1007 (a) (3) as a holder of outstanding shares of common or preferred stock ("Stockholders") of Group and (ii) that agrees with the number and class of equity securities therein listed for such person or entity; provided, however, that any Shareholder who wishes to assert a claim against any Debtor as a creditor of such Debtor that is not based solely upon ownership of an equity interest in the Debtor arising out of ownership of the common or preferred stock of Group, including but not limited to claims based on (i) redemption rights of common or preferred shareholders, (ii) unpaid dividends declared prior to the date of the filing of Group's petition for relief under chapter 11 of the Bankruptcy Code, (iii) the value of such equity interest, or (iv) any other obligations of any Debtor, must file a proof of claim on or prior to the November 15, 1990 Bar Date.

4. Holders of claims for workers' compensation benefits based upon occurrences, accidents or events which took place prior to the Filing Date for the respective Debtor.

5. The tax claims, if any, of the United States Internal Revenue Service.

6. Any holder of a claim arising from the rejection of an unexpired lease or executory contract shall file any such claim on or prior to the date fixed in the order authorizing such rejection unless such order shall not specify such a date; if no such date is specified, any such claims must be filed on or before the November 15, 1990 Bar Date.

7. Claims of the United States Internal Revenue Service on account of tax claims against any Drexel Entity;

8. "Customer" claims against Drexel Burnham Lambert Incorporated or any other Drexel Entity that is or was a registered broker-dealer on account or any "customer name security" or "customer property", as such terms are defined in section 741 of the Bankruptcy Code, but not any other claims of any such holders.

PLEASE TAKE FURTHER NOTICE THAT ALL PERSONS AND ENTITIES OTHER THAN THOSE DESCRIBED IN PARAGRAPHS A, B AND C ABOVE MUST FILE A PROOF OF CLAIM OR A PROOF OF INTEREST ON OR BEFORE THE NOVEMBER 15, 1990 BAR DATE. IN THE ENGLISH LANGUAGE AND ANY AMOUNTS CLAIMED THEREIN MUST BE CONVERTED TO UNITED STATES DOLLARS AS OF THE RESPECTIVE DEBTOR'S FILING DATE. OTHERWISE THE HOLDERS OF SUCH CLAIMS OR INTERESTS SHALL BE FOREVER BARRED FROM VOTING UPON OR RECEIVING ANY DISTRIBUTION OF CASH OR PROPERTY UNDER ANY PLAN OR PLANS OF REORGANIZATION FOR THE DEBTORS IN THESE CASES, OR FROM ANY SUCCESSOR TO ANY DEBTOR.

PLEASE TAKE FURTHER NOTICE THAT acts or omissions of the Debtors that occurred prior to the date of filing for relief under the Bankruptcy Code, including any Debtor's indemnity agreements, guarantees, puts, calls, options and other similar arrangements and services provided to or by a Debtor, may give rise to claims against such Debtor notwithstanding the fact that such claims (or the injuries on which they are based) may be contingent or may not have occurred, matured or become fixed or liquidated prior to such date. Therefore, any creditor having a claim or potential claim against a Debtor, no matter how remote or contingent, must file a proof of claim on or before the November 15, 1990 Bar Date.

Proofs of claim forms must conform substantially to the form approved by this Court, a copy of which is on file at the Office of the Clerk and may also be obtained by telephoning 0800-89-1618 or to Official Form Nos. 19, 20 or 21. Proofs of claim or proofs of interest must be filed by mailing each such proof of claim or interest so that it is RECEIVED on or before the Bar Date to:

The Drexel Burnham Lambert Group Inc.
P.O. Box 95
Bowling Green Station
New York, New York 10274-0095

or (b) by delivering the same to the Clerk, U.S. Bankruptcy Court by hand delivery or courier service (but not by U.S. mail) to:

Clerk, U.S. Bankruptcy Court
Room 614
Old Custom House
One Bowling Green
New York, N.Y. 10004

so that it is RECEIVED on or before the November 15, 1990 Bar Date.

PLEASE TAKE FURTHER NOTICE THAT copies of the Debtors' Schedules of Liabilities and Group's List of Equity Security Holders are available for inspection during regular business hours at (i) the Office of the Clerk, United States Bankruptcy Court, Southern District of New York, 6th Floor, Old Custom House, One Bowling Green, New York, New York 10004-1408, (ii) Poorman-Douglas Corporation, 1325 Southwest Custer Dr., Portland, Oregon 97219, (iii) the Offices of Weil, Gotshal & Manges, Attorneys for Debtors, 767 Fifth Avenue, New York, N.Y. 10153; 1615 L Street, N.W., Suite 700, Washington, D.C. 20036; 701 Brickell Avenue, Miami, Florida 33131; 700 Louisiana, Suite 1600, Houston, Texas 77002; NCNB Plaza, 901 Main Street, Suite 4100, Dallas, Texas 75202; and 50 Stratton Street, London, W1X 5FL, England. In the event you have questions concerning the completion, filing or processing of your proof of claim or proof of interest, you may telephone 0800-89-1618 between the hours of 10:00 A.M. to 6:00 P.M. Eastern Daylight Time for assistance.

Dated: New York, New York
July 23, 1990

BY ORDER OF THE COURT
HONORABLE HOWARD C. BUSCHMAN, III,
UNITED STATES BANKRUPTCY JUDGE
UNITED STATES BANKRUPTCY COURT
Southern District of New York
Old Custom House
One Bowling Green
New York, New York 10004-1408

WEIL, GOTSHAL & MANGES
Attorneys for The Drexel Burnham Lambert Group Inc., et al.
Debtors in Possession
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
5	6	7	8	9	10	11

October 5-11

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's double vision. Burlington House, Piccadilly (287 9579).
Hayward Gallery. Eduardo Chillida. Major retrospective of the Spanish sculptor (261 0127).

Paris

Carte musées et monuments sold in museums and metro stations enable visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles.
Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.
Grand Palais. Biennale Internationale des Antiquaires. Under the sign of Love in Art, 150 antique dealers, both French andforeign, cover a wide range of periods and styles and presenttheir prestigious exhibits in a *mise en scene* evoking theesplendour of the 18th century. Ends October 7.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Open all days from 12 am to 10 pm, except Tuesdays. Ends Dec 31 (40205165).
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, rue du Fbg. St Honore (42895631).
Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the speciality of this small left-bank gallery remain drawings by the Ecole de Barbizon. 11, quai voltaire (42611075). Closed Sun and Mon.
Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. The exhibition begins with the blue period and ends with the obsessive erotic works of Picasso's last 10 years. A period whose importance has only recently been recognised.Closed Tue, Wed late closing, ends January 14.
Picasso Museum. The restored 17th century Hotel Sale, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. (42712421).
Galerie d'Art Saint Honoré. The Magic of Flemish Art. The paintings assembled by Monika Kruch are of such remarkable quality that the visitor is yet again enchanted by the transparency of glass, the softness of blue velvet and the pulpous texture of fruit in Jansz de Heem's still life. There is a touching version of Pieter Brueghel the Younger's Adoration of the Magi, where he is believed to have portrayed his father as one of the men following the three kings. The glory of colours and perfection of execution of AbrahamMignon's Bouquet of Tulips exemplifies the 17th century tulip-mania. 267, rue Saint-Honoré. Closed Sat, Sun; ends November 30 (42601503).
Musée Rodin. Delightful 18th century town house - Hotel Biron - contains the life work of Auguste Rodin, who opened the way for modern sculpture. In the gardens his Thinker broods, the Burghers of Calais trudge to their tragic destiny and Balzac defies time. Closed Tue.

Martigny

Fondation Pierre Gianadda. Modigliani. Some 50 oils, as many drawings and some sculptures form an important retrospective of the Italian-born artist living at the beginning of the century in the feverish atmosphere of Montparnasse and Montmartre. In contrast, the rather stylised two-dimensional portraits of his friends and of Jeanne Hebuterne, his last and tragic companion, embody perfect repose. (26 223978).

Brussels

Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 200 Paleontological exhibits. Daily ends Dec 30.
Musée d'Art Moderne, Place Royale. The Goldschmidt Collection of Modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Closed Monday, ends December 16.
Galerie Aftican. Scarlet Nikolska, memories of Prague, recent paintings. 2 Grand Sablon. Closed Mon.
Musées Royaux d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.
Palais des Beaux-Arts. 5 million years: The human adventure. Man's evolution shown through 200 archaeological artefacts and other exhibits. Daily, ends December 30.

Madrid

Fundacion Juan March. *Cars*, Andy Warhol's unfinished series ofcar drawings and paintings, commissioned by Daimler-Benz on thecentenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart. Ends January.

Barcelona

Fundacion Miro. Joseph Beuys. Some 130 drawings on the theme oforiental philosophy in an interchange with the Keftner Gesellschaft in Hanover. Closed Mondays. Ends November 18.

Venice

Palazzo Grassi. From Van Gogh to Picasso — from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Leger's 1950 Builders with Rope, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable Thannhauser collection, none of which have been back to Europe since they were bequeathed to the museum in 1940. Justin Thannhauser's group include some fine Cezannes, two famous early Picassos: Le Moulin de la Galette and the Fourteenth of July, and excellent examples of almostevery other artist of note (mainly French) you can think of. A large group of works, come from the Peggy Guggenheim collection at the Palazzo Vernier in Venice. Particularly prominent are the surrealists, her particular interest, among which is Max Ernst's fascinating The Antipope. Much of the pleasure of the exhibition comes from its sensitive layout by the architect, Gae Aulenti. Ends December 9.
Palazzo Ducale. Titian. This exhibition organised jointly by the Venice local council, the Arts Ministry and the National Gallery in Washington, marking the 5th centenary of the painter's birth, is the largest for over 50 years. More than 70 paintings are on show, lent by American, Russian and European museums.

Bologna

Pinacoteca Nazionale. Giuseppe Maria Crespi (1665-1747). Over 100 works by a late-flowering baroque painter, born in Bologna, whose works are now considered on a par with his distinguished predecessor, Guido Reni. His subjects range from the mythological, arcadian (endless wrestling nymphs and cherubs), to crowd scenes on local saint's days — on show is one of his best-known works in this series, the Fair at Poggio Caiano) and religious works, such as The Seven Sacraments series: the latter lent by the Staatsgalerie in Stuttgart, this exhibition's next stop. Crespi's lavish and sensuous style owes much to Titian and Veronese, while his tendency to miniaturize the figures foreshadows the delicate works of another Venetian, Longhi, and the dramatic use of light and shade is not unlike that of Goya, 50 years later. Ends November 10.

Düsseldorf

Kunstmuseum, Ehrenhof 5. Conrad Felixmueller. Around 80 paintings, 80 watercolours, drawings, 40 prints as well as five plastics by the expressionist painter are on display until October 28.

Frankfurt

Jüdisches Museum, Untermainkai 14/15. Expressionism and Exile from the most important private collection of Ludwig and Rosy Fisher, 117 paintings are exhibited. Among the artists are Kirchner, Heckel, Nolde and Mueller. Until October 10.

Hanover

Sprengel Museum. Kaethe Kollwitz (1867-1945). Eleven plastics, 70 paintings 70 prints of the politically radical artist are to be seen until October 28.

Essen

Museum Folkwang: Vincent Van Gogh and Modern Art. On the 100th anniversary of Van Gogh's death, this exhibition aims to display his influence on European modern art. With 50 of his own paintings and 120 by other artists it shows his impact on art in the period 1890-1914. Among the other artists are Matisse, Derain, de Valminck, Picasso, Kirchner, all influenced by Van Gogh.The exhibition moves to Amsterdam in Nov. Ends Nov 4. Goethestrasse 414300, Essen 1.
Villa Huegel 15. St Petersburg around 1800. With 555 pieces on loan from Leningrad's state Hermitage Museum, the exhibition details the developments of Russia from a great empire to a European power. St Petersburg was the residence of Peter the Great and acted as an intermediary between east and west. The exhibition covers the period from the 18th to the 19th century of Tsars Paul I (1796-1801) and Alexander I (1801-1825) in its role as the political, intellectual and economic centre of Russia. This unique show gives a clear, variegated view of the historical importance of the period of the Russian empire, with paintings, furniture, sculptures, costumes and porcelain.

Berlin

Martin-Gropius-Bau, Stresemannstrasse *110*. *Bismarck's* Prussia, Germany and Europe. This exhibition in Berlin will be the first organised by the German History Museum, with around 1,000 pieces on loan from 250 different museums from all over Europe and the US. Otto von Bismarck, born 175 years ago in Schoenhausen, was the German Imperial Chancellor and Prussia's premier before he was sacked by the young Kaiser Wilhelm II 100 years ago. The current political changes in Europe, particularly in East Germany, underline the importance of this exhibition, which also attempts to explain what happened after the revolution of 1848. Bismarck was at the centre of several conflicts in relation to industrialisation, social questions and the impetus towards forming nation-states in Europe. An accompanying programme includes literature, music performances, films and video. Until November 25.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.
Pierpont Morgan Library. Treasures of Eton College Library, covers 550 years of collecting, including drawings of royalty, manuscripts and books among 200 borrowed objects.

Washington

National Gallery. Artistic dividends of the end of the cold war continue with a comprehensive show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

Chicago

Chicago Historical Society. A House Divided; America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.
Art Institute. The Russian Taste for French Painting is a tribute to the cultural impact of improved Soviet-American relations with its French masterpieces borrowed from the Hermitage and Pushkin Museums. Works from Poussin to Matisse include Manet, Renoir, Cezanne and Gauguin.

Tokyo

Hara Museum. Hara Annual 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists — a good opportunity to observe new developments and directions in Japanese art. Opens September 26.
Bunkamura, The Museum. Dante Gabriel Rosetti. For some reason, the pre-Raphaelites appeal to the Japanese sensibility, so this exhibition of some 120 paintings and drawings is likely to prove popular.

October 5-11

THEATRE

London

Jeffrey Bernard is Unwell (Apollo). James Bolam is the *alcoholic journalist* who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).
Aspects of Love (Prince of Wales). *Andrew Lloyd Webber's* latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. A probable, but largely unspectacular, hit (839 5972).
Burn This (Lyric) Blistering performances from John Malkovich and Juliet Stevenson in Lanford Wilson's play about the mismatch of opposites (437 3686).
Singer (Barbican). Anthony Sher in Peter Flannery's modern Jacobean tragedy that reflects a darkly comic view of Britain since the Second World War. (638 8891).
Shadowlands (Queen's). Weepie about the love affair between crusty Oxford writer C.S. Lewis and the cancer-riddled American poet Joy Davidman, which pushes Nigel Hawthorne and Jane Alexander into the awards stakes. William Nicholson's play is irresistibly emotional. Elijah Moshinsky's direction is superb. (734 1166/439 3849).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until January

New York

Falsettoland (Lucille Lortel). It will be known as the musical about Aids first hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (824 8782).
Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Washington

Playboy of the Western World (Eisenhower). Abbey Theatre company brings what the Americans want to see to confirm of the view of the Irish as unscrupulous charmers. Ends Oct 21.

Chicago

The Iceman Cometh (Goodman). The Goodman opens its new season with a revival of vintage O'Neill starring film actor Brian Dennehy. Ends Nov 4 (443 3800).

Tokyo

Kabuki. Performances at Kabuki-za (541 3131) feature two actors who have attracted new audiences to kabuki. The star of the 11am show, Ennosuke, specialises in quick-change routines and spectacular stage effects. At 4.30pm the gifted onnagata (specialist in female roles), Tamasaburo, stars in a love story about a priest and a geisha. Meanwhile, at the National Theatre (265 7411), the rarely-performed *Kagamiyama Sai Iwafuji* is being given (performance times vary). Both theatres have excellent earphone guide in English and English-language programme.
Phantom of the Opera (in Japanese). This highly successful production is a carbon copy of the London original, with the added advantage that one can ignore the banal lyrics, since they are in Japanese! Shimbashi Enbujoh Theatre (797 9601).
Fiddler on the Roof (in English). Topol once again takes the lead role in the musical that made him famous 20 years ago. Kan'i Hoken Hall, Gotanda (477 7625).
Cheek by Jowl in Hamlet. Lively British fringe company making their Tokyo debut as part of the UK 90 Festival. Tokyo Globe Theatre (360 1151).

October 5-11

MUSIC

London

Cristina Ortiz (piano). *Liszt, Scriabin, Brahms, Prokofiev,* Villa-Lobos. Queen Elizabeth Hall (Sun) (071 928 3191; cc 071 928 8800).
Dmitri Hvorostovsky (baritone) with Mikhail Arcadiev (piano). Monteverdi, Pergolesi, Caccini, Stradella, Bellini, Donizetti. Queen Elizabeth Hall (Mon) (071 928 3191; cc 071 928 8800).
Royal Philharmonic Orchestra conducted by Sir Yehudi Menuhin, with Julian Lloyd Webber (cello), soloists and choir. Gersgwin, Elgar, Lloyd Webber. Royal Festival Hall (Wed) (071 928 8800).

Paris

Orchestre Colonne conducted by Klaus Weise, Trio Henry. Beethoven (Mon). Salle Pleyel (45638872).
Nicolai Gedda recital (Mon). Salle Gaveau (49530507).
Quatuor Sine Nomine (Tue). Salle Gaveau (49530507).

Amsterdam

Netherlands Philharmonic with Theodora Geraets (violin), James Loughran conducting. Dvorak, Vaughan Williams, Elgar (Fri). Concertgebouw (718 345).
Radio Philharmonic conducted by Edo de Waart, with Marine Mahé (mezzo) and François Le Roux (baritone). Debussy, Ravel, Ketting (Sat matinee). Concertgebouw (718 345).
Musica Antiqua Köln under Reinhard Goebel. Telemann, Bach, (Mon). Concertgebouw (718 345).

Brussels

Philippe Hirschhorn (violin) and David Golub (piano) in a Programme of Franck, Prokofiev and Schubert. Palais des Beaux-Arts (Mon).
National Symphony Orchestra conducted by Mstislav Rostropovitch performing Barber, Shostakovitch and Tchaikowsky. Palais des Beaux-Arts (Thur).

Antwerp

I Fiamminghi Ensemble and the Dutch Bach Chorus conducted by Frans Bruggen with Ruth Ziesak (sop), Guy de Mey (tenor) and Klaus Martens (bass) perform Haydn's Die Schöpfung (Sun). De Singel (03-248 38 00).

Venice

Vlekoslav Sutej conducting Smetana, Rachmaninov and Dvorak (Sun). Teatro Rossini (5210161).

Rome

Ute Lemper singing Kurt Weill (Sat, Sun). Teatro Olimpico (393304).

Frankfurt

Russian Radio Orchestra and singers Lidia Schernikh, Alexander Nenadorsky, conducted by Vladimir Fedoseyev with an all Tchaikovsky programme (Mon, Thurs). Alte Oper.

Berlin

Berlin Philharmonic Orchestra conducted by Kurt Sanderling plays *Haydn*, Shostakovich (Fri, Sat). Philharmonie.
Berlin Opera Orchestra conducted by Guiseppe Sinopoli with Dawn Upshaw (soprano), G. Shaham (violin). Nono, Mendelssohn and Ahler (Mon). Schauspielhaus.

New York

Juilliard String Quartet. Schubert, Carter, Ravel (Mon). Juilliard Theater, Lincoln Center. Free (874 6770)
Czech Philharmonic conducted by Jiri Belohlavek with Andrea Lucchesini (piano) play Martinu, Chopin, Stravinsky (Tue). Carnegie Hall (247 7400).
New York Chamber Symphony conducted by Gerard Schwarz with *Misha Dichter* (piano) play Diamond, Gershwin, Beethoven (Tue). Kaufmann Hall (996 1100)

Washington

Daniel Barenboim piano recital. Bach, Beethoven (Mon). Concert Hall, Kennedy Center (467 4600)

Chicago

Chicago Symphony Orchestra conducted by Sir Georg Solti play Bartok, Debussy, Shostakovich (Thur). Orchestra Hall (435-3322)

Tokyo

The English Concert conducted by Trevor Pinnock. Bach. Casals Hall (Mon). Bach, Telemann, Vivaldi. Hitomi Memorial Hall (Thur). (289 9999).
Munchner Philharmoniker conducted by Sergiu Celibidache. Bruckner, Symphony No 7 (Mon), Symphony No 8 (Wed). Bunkamura, Orchard Hall (289 9999).

Siena pays tribute to an unsung master

For the majority of art lovers, Siena is *trecento*: it is the city of Duccio's *Maestà* and Ambrogio Lorenzetti's frescoes of Good and Bad Government. For those who can bear to tear themselves away from the almond-eyed angels and the endless *campagna*, it may at a pinch suggest the sweetness of Sassetta and Giovanni di Paolo a century later, seemingly blissfully unaware of the new art of the renaissance as practised in Florence. Currently, however, Siena is paying handsome tribute to its Mannerism, and one of its greatest but least known sons, Domenico Beccafumi (1484-1551).

The principal venue of this Beccafumi feast is the long-shut church of Sant'Agostino; where the side altars offer temporary lodging to altarpieces and the nave is filled with smaller paintings and sculpture. But Sant'Agostino is only the heart of the matter, because Beccafumi was an artist who preferred not to travel, and whose works have tended not to stray either. His bold marble pavement (cartoons in the Pinacoteca), bronze angels and fresco cycle in the cathedral shows Beccafumi setting his stamp on his home town's spiritual centre. He makes his civic mark with a ravishing frescoed ceiling, one of the neglected glories of the Palazzo Pubblico.

For the duration of the festivities, other decorations are (often temporarily) on view, and enthusiasts may follow the Beccafumi trail – guided around the town by colour-coded banners and arrows – to such implausible sites as the municipal hospital, an old people's home, and a girls' school.

The most impressive of these is the newly-restored ceiling in the Palazzo Bindi Segardi, which may be visited by appointment only on Tuesday mornings and Thursday afternoons. Scenes from Greek and Roman history span the vaults in the dazzling blond tonalities that represent Beccafumi's characteristic fresco palette. These sherbert-hued confections are no less notable for the bold effects of foreshortening and contre-jour that the artist had mastered at least in part as a result of his journeys to the Rome of Michelangelo, and especially of Raphael.

As a painter of altarpieces, Beccafumi excels both as a painter of mistily romantic distances, but also – and less expectedly – of fire. The early "Saint Catherine of Siena" and the late "Annunciation" set meditative figures against dreamy landscapes, and emphasise the consistency of Beccafumi's vision. In works in between, darkness is cut through with haunting evocations of fire, from the domestic poetry of the "Birth of the Virgin", via the heroic grandeur of the "Descent into Limbo" to the nightmare visions of his two versions of the "Fall of the Rebel Angels" (the first was rejected by the church authorities as too eccentric). Here Beccafumi out-Bosches Bosch, and achieves effects that inevitably suggest comparisons with those other great pyrotechnists, Georges de la Tour and Joseph Wright of Derby.

Beccafumi is placed in the context of the achievements of his Sienese contemporaries, all of whom – with the exception of the unfortunately-named Sodoma – only serve to reveal just how good a painter he was. He is a master of the big fresco cycle and the grand altarpiece, but he is no less successful as a painter of intimate Madonnas designed for private devotion, or of exquisite miniatures, as a recently discovered illuminated codex bears witness. Again, although most of his oeuvre is religious, he is a remarkable painter of mythologies and allegories.

Here the surviving elements of the decoration of Francesco Petrucci's bedroom, including the magnificent panels from a Florentine private collection, are the stars, although sadly the centrepiece, a Venus in the Barber Institute in Birmingham, could not be lent. They show Beccafumi easily worthy of comparison with the Florentine artist he most resembles, Jacopo Pontormo, who by a strange coincidence was involved in a virtually identical commission for Pierfrancesco Borgherini at much the same time.

One great merit of his gathering is that it illustrates that paintings were less uniform in their settings and functions than we tend to suppose: these works adorned furniture and were inserted into wood panelling, and testify to the Sienese practice of adorning funeral biers with paintings by artists of the first rank.

The Nativity by Domenico Beccafumi in the Chiesa di San Martino

A monographic exhibition can be a daunting test of an artist's quality (and in this case, a visitor's stamina, in manoeuvering a 732-page, 8lb catalogue around town). One emerges out of Beccafumi exhilarated and enchanted. And while it is understandable that the Sienese authorities should lament the dearth of visitors to this exemplary show, the rare peace and quiet is a reward to those who take the trouble to seek out this unsung Sienese master.

Domenico Beccafumi e il suo tempo, sponsored by the Monte dei Paschi di Siena, continues until November 4.

Susan Moore

From the House of the Dead

NEW THEATRE, CARDIFF

Welsh National Opera have not been enjoying too many successes with their new productions recently, and so the revival in their autumn-season schedule of one of the company's triumphs of the last decade arrives just in time. David Pountney's 1982 staging of the last Janacek opera was garlanded with praise and with prizes when new; it has not been given for several seasons. If there were fears that its return to Cardiff (rehearsed by John Eaton) might not live up to past memories, they were roundly set at rest by Wednesday's performance.

This remains, indeed, an incomparably moving and powerful piece of music-theatre – wholly achieved (with every participant apparently inspired and involved down to the most minor), masterly in its melding of large movement and small detail, extraordinarily acute in fleshing out Janacek's economical dramatic scheme. *From the House of the Dead* is, of course, not simply a "slice of life" – though few operas sustain a more completely convincing world-view. Its perceptions about the psychological crises of men in prison, about the pressures of past guilt on present action, are put across with absolute directness and lack of clutter; in a theatre of the New's size, and in so ruggedly honest a performance, the physical and spiritual intensity of the opera becomes at times almost too much to bear.

Richard Armstrong, returning to the company of which he was previously musical director, and to a production of which he was first conductor, urges playing of tremendous vitality out of the orchestra – like the singing-actors on stage, the WNO players in the pit seem to speak Janacek's music, in all its laconic, jagged lyricism, as though it were their first language.

The intensity of the performance is equally Mr Armstrong's due: there is no flagging, and yet the music is paced to reveal a wonderful variety of different moods – not just the searing pathos of the opening prison scene and the harshly violent outbursts, but the comic relaxation of the Act 2 festivities (these prisoners put on a fine entertainment). And the the long passages of tortured memory by a single prisoner which provide the dramatic focus of each act are supported by the conductor in a way that grapples the audience's attention with iron hooks.

From the original cast there are retained Graham Clark's gibbering, crazed Skuratov (now just a hair's-breadth away from too much), Yolande Jones's touching Alyeya, and Nigel Douglas's Shapkin (he had lost his voice on Wednesday, and acted his comic ear-pulling narration while Michael Preston-Roberts sang it from a nearby stage position – the effect was not too damaging to theatrical credibility). The most important newcomers were David Barrell (excellent as the political prisoner Goryanchikov), Jeffrey Lawton (Luka), and Malcolm Donnelly (Shishkov); the latter two are performers of burly voice and frame out of whom violence boils with darkly alarming force.

There seems still to be a certain sales resistance to this work on the part of opera audiences – empty seats were dotted around the New Theatre for this opening performance. It is understandable, but at the same time entirely misguided. I can think of few more rewarding or, indeed, uplifting theatrical experiences.

Max Loppert

Les Arts Florissants

ROYAL NAVAL COLLEGE CHAPEL, GREENWICH

To lovers of the French and English Baroque one of the outstanding musical ensembles of the day has often seemed frustratingly out of reach just across the channel. The pilgrimage to see Les Arts Florissants has been undertaken by many followers, but this autumn the group is happily returning the compliment by making no less than three appearances in London before the end of the year.

The first of these was on Wednesday at the Royal Naval College Chapel in Greenwich. For the occasion the programme offered, appropriately, a kind of "entente cordiale". There were two stage works, each dating from the 1680s just when Wren was thinking about his designs for the grand new colonnaded buildings at Greenwich: one by the French composer Marc-Antoine Charpentier and the other by his English contemporary Purcell.

If there is one feeling that sums up the work of Les Arts Florissants, it is enjoyment, pure and simple. The performances of this group are always light and fleet, bubbling over with vitality, whatever the music they are playing. In Charpentier and Purcell, each of whom wrote pieces for the theatre which move with remarkable grace and rapidity, William Christie and his musicians have found a style that suits them to a nicety.

Even next to other "authentic" interpreters Christie allows himself a lot of licence. The decoration of vocal lines can be too much at times; but his delight in adding extra instrumental colour is difficult to resist. Who else would give us a witches' scene bristling with House-of-Hammer string tremolandos and wicked cackles, not to mention a male alto sorceress who looked and sounded like something from the other side of the grave?

It is this willingness to enter into the spirit of a piece that made the evening a joy. The work in the first half was Charpentier's *Actæon*, which was distinguished by a marvellous range of expressive playing from the small band of seven instrumentalists. Solo voices were not always of the same quality, although Véronique Gens was an appropriately rich-toned Diane and Claire Brua an imperious Junon.

In Purcell's *Dido and Aeneas* Noemi Rimé and Claron McFadden sang with a vividness that made every line come to life, even if neither was as flexible vocally as is ideal. For the impact of the performance as a whole, for its sense of fun, its sensitivity to the romance and the tragedy of the drama, there can barely be any criticism at all. Lovers of Purcell will have come out walking on air.

Richard Fairman

A Pacific world

Alastair Macaulay looks east at Peter Sellars' Los Angeles Theatre Festival

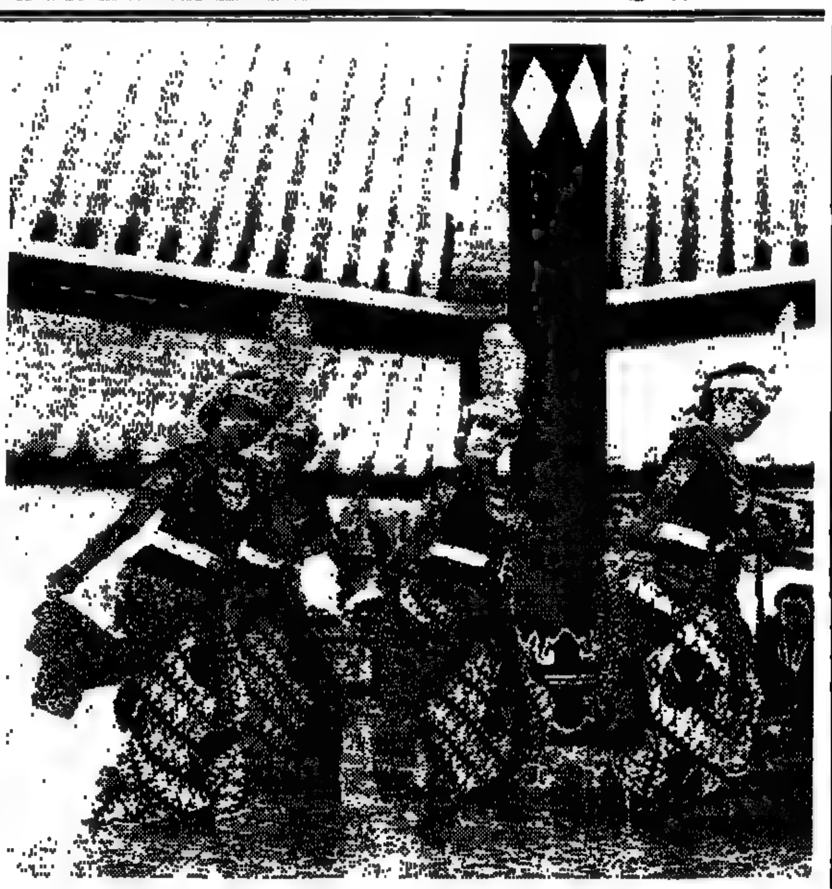
We sat on the grassy slope to watch and to listen, while the high morning sun beat down from a bright, clear sky. Beneath and before us, the Pacific stretched far away into the blue haze to north, south and west. Distant yachts slowly passed. Dancers from Asia, Polynesia, Australasia and the Americas waited, in full costume, to bring their greetings, their blessings and to perform for us. The world seemed truly pacific. We were at Angel's Gate, a peninsula south of Los Angeles, and all this was part of the opening ceremony of the Los Angeles Festival.

Peter Sellars, the 32-year old opera director who now directs the LA Festival, was there to welcome all of us, suitably dressed in pineapple-coloured African pyjamas and white spats. This was his first LA festival, and he had designed it to show work from the Pacific – to point LA West rather than East. "There is now a cultural interface taking place that is primarily Asian, it's Latin American, it's African; it's going to be 200 years of culture in America, and it's not primarily European."

The Pacific, he told a smart LA audience at a champagne reception after a performance of the Japanese *Legend of the Water Flame*, is where the next great movement in the arts would come from. You might have thought that the *Legend* performance we'd all just endured – all mystique, a trough of glitz, smoke and incantation – might have given him pause. But not Sellars. Hear him hymn the Pacific Rim and you wonder why he ever looked as far East as Glyndebourne or, for that matter, Mozart.

The view of the Pacific is a dream, but it is by no means free from white middle-class guilt about various forms of American and Eurocentric imperialism. Capitalist Eurocentric culture has caused so much harm, you see – so let's celebrate "the other." The LA Festival was perhaps the grandest celebration of "otherness" to date. The Los Angeles Philharmonic did not perform, but the Los Angeles Poverty Department, a radical theatre company drawn from the homeless and unemployed folk of Skid Row, did. We were not shown ballet companies or symphony orchestras from Japan, Australia, China. The main opera presentation was John Adams' *Nixon in China* (a Sellars production). The Australian guests were mainly aboriginal.

Some kinds of otherness, of course, are less other than others. To see court performers from the Yogyakarta Palace of Java, in an open-air performance, was a rare chance to sample one of the world's greatest dance traditions. I regret that I saw only one evening; ever since, I have been filled with desire to travel to Java. The absorbingly impersonal ceremonies of their Bedhaya are a marvel. Within the slow formalities of processional walking, kneeling, gesturing and tilting, within the strict geometries, within the subdivisions of this perfect number, we could not help but sense suspense and vital essence. The entrance and exit, a slow unison drag-march, planting the foot firmly on the floor with flexed feet pointing up, were momentous. Every calm detail helped to show how tightly something had been distilled.



The Court Performers from the Yogyakarta Palace of Java

A wonderful shock to discover that a story was secreted within these patterns. Daggers were produced from sheathes, though at first they might as well have been fans. Then one woman lightly darted her dagger into another and sent her softly reeling across the stage, where she composed herself in what I took to be the final sitting position of defeat and death. Such economy, such concentration. As with the Aeolian tintinnabulations of the gamelan orchestra, its players seated behind, all seemed pre-ordained. While the dance continued, twilight fell, and we were borne far from LA.

Philharmonia

ROYAL FESTIVAL HALL

Between Rakhmaninov's Third Piano Concerto and *Also sprach Zarathustra* on Wednesday Esa-Pekka Salonen and the Philharmonia secreted a substantial piece of Xenakis. *Aïs* was written for the Bavarian Radio in 1980; though no such claims were made, this was surely its British première. It is another of Xenakis's instinctive evocations of classical Greece, a 20-minute meditation on death (the title means "domain of the dead") which embeds quotations from Sappho, the *Odyssey* and the *Iliad* into the orchestral textures.

An amplified baritone delivers them in more or less uninflected prosody, at other times whooping and growling above the orchestra in a disembodied, primeval way; meanwhile a solo percussionist builds up a series of huge polyrhythms seemingly independent of the orchestra. The sound world is rebarbative, the mood, as one might expect, almost unrelievedly sombre. The rhythmic pulsations, brass smears and skeins of sustained strings give way to a more distinct image just once, for the Sappho fragment, when the baritone moves into a falsetto chant, and the trumpets try out a modal, deliberately archaic melody. "To die, a longing holds me, and to see the shores of Acheron full of lotuses and dew" says the text, and Xenakis's music seems to dredge beneath its constructivist surfaces for something much more personal and achingly nostalgic.

Aïs may not represent the best of Xenakis, but it is one of his major orchestral scores and there are few chances to here those in London. The soloists – baritone Spyros Sakkas, percussionist Sylvio Gualda – were involved in the première nine years ago, and Salonen's conducting too had the stamp of confident authority. He is a marvellous conductor of contemporary music, genuinely exciting and an asset to any orchestra in that role, but so unpredictable in the standard repertory. His account of the Rakhmaninov concerto with Yefim Bronfman had taken much of the first movement to come into muddy focus; when Bronfman had found a way through the thick orchestral impasto that Salonen seemed to consider appropriate, his playing proved to be technically decent but undercharacterised.

The idea of conductor and soloist conspiring to produce something more than routine efficiency, or setting out to explore those darker areas that the finest interpreters of this concerto have invariably colonised, would have been far too ambitious.

Andrew Clements

ARTS GUIDE

October 5-11

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of the new production of *Siegfried*, latest instalment in the Götz Friedrich "time-tunnel" production of Wagner's Ring. Bernard Haitink conducts. René Kollo takes the title role, and the cast also includes, James Morris, Alexander Oliver, Gwyneth Jones and Ekkehard Wlaschiha. Final performances of the *Turandot* revival, one of the company's most colourful and imaginative efforts of the last decade.

English National Opera, Coliseum. Final showing of *Greek*, the sensational and brilliant opera by the young English composer Mark-Anthony Turnage based on Steven Berkoff, with a cast of four – Helen Charnock, Fiona Kimm, Quentin Hayes, Richard Suart – conducted by Richard Bernas.

Paris

Théâtre de la Ville. Merce Cunningham is followed by Angelin Preljocaj with a premiere of *Amer America*, where eight dancers enact the hopes of the American dream of immigrants set against the harshness of reality (42742277).

Opéra. Palais Garnier. Soirée Serge Lifar brings back *Suite en blanc*, *Istar* in Leon Bakst's costumes, *Variations* and *Mirages* (47425371).

Chatelet. *The Black Rider*, a rock comedy, is produced by Robert Wilson to music and songs by Tom Waits and words by William Burroughs (40283840).

Brussels

Salle Saint Michel. The Max Zygmunt Orchestra and soloists perform Mozart's *Don Giovanni*, Philippe Marcier conductor, staging by Ronny Lauwers (010-47 48 76).

Cirque Royal. Maurice Béjart and the Béjart Ballet Lausanne in *M pour B*, *7 Tangos*, *Nomos Alfa*, *Hamlet*, *Pyrrramide* (02-347 05 50).

Antwerp

Koninklijke Vlaamse Opera. The Royal Flanders opera company in Richard Strauss's *Elektra*. Stefan Soltesz conductor, staging by Nuria Espert with Eva Marton, Stephanie Sundine (03-220 83 25).

Amsterdam

The Netherlands Opera in Mozart's *Entführung aus dem Serail*, directed by Helmut Polixa. Netherland Chamber Orchestra conducted by Harmut Haenchen, with Jürg Löw as Selim, Sally Wolf as Constanz and Bruce Ford as Belmonte (premiere Fri. Mon. Thur). Muziektheater (255 455).

Barcelona

Ballet Cullberg dances *Giselle*, choreography by Mats Eko. Ends Wed. Gran Teatre del Liceu (412 14 65).

Madrid

American Ballet Theatre. This acclaimed US company, now on a world tour, stops in Spain for this year's Madrid autumn festival, dancing *Giselle* (Wed. Thur). Palacio de los Deportes (401 91 00). **Teatro Lirico Nacional la Zarzuela.** *Don Juan* adapted by MiguelNarros. Choreography by Jose Antonio and music by Jose Nieto, accompanied by the Madrid Symphony Orchestra conducted by E. Garcia Nieto. Ends 21 October. (429 82 25).

Milan

Teatro Nuovo. Pina Bausch's Wuppertal Tanztheater dancing *Gebirge*, *Made in 1984*, and *Bill T* (78.12.19).

Rome

Teatro Olimpico. The Iso Dance Theatre of New York with a new work, *Time Out* (from Thur) (393304).

Berlin

Opera. *Zar und Zimmermann* is a well done repertoire performance. *Salome*, expertly conducted by Guiseppe Sinopoli has Catherine Malfitano outstanding in the title role. Also offered *Rigoletto* and *Der Barbier von Sevilla*.

Hamburg

Opera. *Carmen* stars Alicia Nafe in the title role. *Fidelio* in Peter Paltizschi's production has a first-rate cast led by Ana Pusar, Matthias Hoelle, Josef Protschka and Matti Salminen. *Romeo and Juliet* has John Neumeier choreography.

Frankfurt

Opera. *Macbeth* is the second successful opera production in Frankfurt by Cesare Lievi with Rosalind Plowright excellent as Lady Macbeth. Also offered William Forsythe's ballet *The Vile Parody/Steptext/New Sleep*. Also Gluck's *Iphigenie en Tauride*, sung in French with Sylvie Brunet, Christopher Robertson and Keith Lewis.

Bonn

Opera. *Fausts Verdammung* returns with a new cast led by NeilRosenshein in the title role, Dolores Ziegler and John Macurdy, conducted by Serge Baudo.

Cologne

Opera. *Orfeo ed Euridice* is sung by Kathleen Kuhlmann and Jung Ae Lee. *Fidelio* features Nadine Secunde, Wolfgang Schmidt, Hartmut Welker and Matthias Hoelle.

New York

Metropolitan Opera. The season continues with the first performances of *Boris Godunov* conducted by Yevgeny Svetlanov with Stefania Toczyska, Gary Lakes and John Shirley-Quirk in August Everding's production. Franco Zeffirelli's production of *La Bohème* continues with Mirella Freni, Placido Domingo and Brian Schexnayder, conducted by Christian Badea, as well as Rigoletto conducted by Guido Ajmone-Marsan with Jerry Hadley in Otto Schenk's production (362 6000).

New York City Opera. The New York stage premiere of Schoenberg's *Moses und Aron* is conducted by Christopher Keene in Hans Neugebauer's production with Richard Cross and Thomas Young in the title roles. The week includes *La Fanciulla del West* in Frank Corsaro's production conducted by Arthur Fugen and Madama Butterfly. New York State Theatre, Lincoln Center (870 5570).

Chicago

Lyric Opera. Wolfgang Brendel has the title role in *Eugene Onegin*, conducted by Bruno Bartoletti in Pier Luigi Samaritani's production, with Anna Tomowa-Sintow as Tatiana and Gosta Winbergh as Lensky. *Alceste* continues with Jessye Norman in the title role and Chris Merritt as Admete(332 2344).

Leon Redbone

ROYAL FESTIVAL HALL

Leon Redbone is best known as the gravel-voiced bass singing the relaxing joys of travelling by train on the latest British Rail TV commercials. Indeed, in the UK he is little known for anything else. He is not over-familiar in his native North America either, since he avoids interviews and cultivates an image which by-passes the mysterious and goes straight to the outright peculiar.

He naturally looks very strange: a formally dressed figure hidden beneath a white panama hat whose features so resemble those of Groucho Marx that it is quite conceivable that he is wearing a false nose and glasses.

He performs seated, crouched over his guitar and slowly declaiming like the elderly black Southern gentleman that he so obviously is not. He is white, and under 50. As he swops ponderous repartee with the trumpet-playing feed alongside, the act approaches a minstrel show of the 19th century with the all-knowing Interlocutor putting in his place the naive Mr Bones.

Such a peculiar format is essential if Redbone is to get away with his material – which is the popular music of the last century or more, music which is so familiar you feel it was born with you. I have probably never heard "Polly Wolly Doodle" sung professionally before; the same with "Shine on Harvest Moon".

Redbone has a line into the collective subconscious, and although some of his songs should be left to rest in peace it is hard not to hum along to "Ain't Misbehavin" and "My Blue Heaven".

As well as a trumpet player there is a guitarist and a chap who doubles on bass and tuba to give an archaic jazz sound to the songs. But the audience has come to sit in awe of Redbone's arcane personality. It is probably totally manufactured but it exerts massive power. "This song is in the people's key of F flat", he intones like a sober W.C.Fields. "It has been around for a hundred years so everyone has had the chance to hear it".

Cult performers, like Tiny Tim, tend to have a short shelf life but Leon Redbone is a consummate musician with a genuine feel for the popular song, and especially for the urban blues. He is just the kind of guy who would speed away the time most pleasantly on a long rail journey.

Antony Thorncroft

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How to join the ERM

FOR ALL its conversion to the market, the Labour Party turns as naturally to controls as a compass needle to the North Pole. That conclusion can be drawn from the promises of Messrs Kinnock and Smith, at the Labour Party conference, to cut "very high interest rates" and introduce controls on credit. Such controls would be a mistake. But, with the UK on the verge of entering the exchange rate mechanism of the European Monetary System, they are at least the wrong solution to a real problem.

To the extent that interest rates are governed by the aim of maintaining a fixed exchange rate, they cannot also be targetted at domestic monetary conditions. Significant problems may well emerge in an economy whose credit conditions and inflationary expectations are so divergent from those in other members of the ERM. What ways might there be of escaping from the dilemma?

One is to deny the need for any management of domestic demand. There is no demand management for Scotland, so why should there be for the UK within the European Community? An answer is that the UK labour market is more integrated than that of the EC. Another is that there are greater fiscal transfers within the UK. But the more fundamental reason is that the UK government is held directly accountable for even short term British prosperity. Indifference to the fate of the country is improbable.

Another expedient would be a more active fiscal policy. Unfortunately, the effects of unpredictable fiscal action on economic efficiency are likely to prove malign and on demand uncertain, especially when credit is so liberally available. More importantly, in the British economy of today, any conceivable year to year movement in the fiscal balance is likely to be dwarfed by the effects of any sizeable monetary expansion or contraction.

Yet another possibility is an imprecise exchange rate commitment. The ERM itself offers such possibilities, via the bands of 2.25 or 6 per cent on either side of the central rate and realignment. But to say that the potential disadvantage of a fixed exchange rate can be mitigated by making that rate uncertain is peculiar. The more uncertain the rate, the more limited, too, must be its potential advantages.

Unbearable costs

Moreover, even under wide bands, entry is likely to limit the downside risk in the short term, force appreciation and put downward pressure on interest rates. It might be possible to neutralise the monetary effects of the capital inflows, but the costs would probably become unbearable before the inflows ceased.

Today, the risk of pressures to reduce interest rates seems small and may even look attractive. Nor should the pressure soon be excessive: the current account deficit and the divergence in UK inflation from levels in the best performers in the ERM will see to that. The yield gap vis-à-vis a country like Germany may even have to be larger than the government wants, not smaller than the economy needs.

Credit controls

None the less, entry into the ERM is not a policy for just the next year or so. Between the beginning of 1985 and July 1990, broad money grew by 37 per cent in West Germany, but by 126 per cent in the UK. Yet throughout that entire period nominal interest rates in the UK were higher, sometimes vastly higher than in Germany. The danger remains that another such expansion will start once the economy has slowed and interest rates have fallen.

How could this be avoided? This is where the idea of credit controls come in. But controls on the supply of credit would be ineffective, without exchange controls to back them up; they are always unjust; and, most importantly, their subsequent liberalisation would just repeat the difficulties of the past decade. To go through the pain of liberalisation once was a misfortune. To go through it twice would be worse than carelessness.

Controls on borrowers are the obvious alternative. Allegedly prudential limits on borrowing might, for example, be imposed. But confusion of prudential regulation with monetary control seems dishonest. What needs to be done, instead, is to tackle the incentives to borrow, above all in the housing sector.

The net worth of the housing stock (some £740bn at the end of 1988) needs to be lowered, along with the prospects for future gains. Mortgage interest rate relief should be withdrawn, property taxation re-imposed, planning controls on new housing liberalised and taxation imposed on realised capital gains in owner occupied housing (including via equity withdrawal).

The fundamental point is that entry into the ERM is no superficial change in the management of the UK economy. Wage behaviour will need to become German. So too will borrowing, not merely in the long run, but even during the period of adjustment to entry into the mechanism. Labour may have leaped to undesirable thoughts of credit controls, but the Conservatives have no thoughts on the subject at all. But one at least is obvious. If the UK is to fit comfortably within the ERM, the middle class will have to abandon the conviction that the Englishman's home is not his castle but his gold mine.

Time to grow up

THE Broadcasting Bill, which reaches its final stage in the Lords next week, has for the most part been improved during its legislative passage. It is now an unambitious piece of work which broadly meets the need to increase competitive forces without unnecessary risks to programme quality.

There is, however, one large exception to this judgment: a proposed amendment on broadcasting impartiality.

In spirit, the original Bill preserved the status quo on this matter. The Independent Television Commission would be asked to draft a simple code requiring commercial TV companies to display "due impartiality" in covering news, current affairs and other matters of public interest. The BBC, not dealt with in the Bill, operates to a similar requirement.

This, however, was not good enough for those Conservative peers who would like British broadcasting to be as sympathetic to their own outlook as is the press. They advocated a draconian series of proposals which, it is now clear, were withdrawn only in return for the government amendments published this week.

A detailed ITC code must now cover seven specific points, including impartiality "as respects individual issues" and the timing and prominence of any programme designed to compensate for bias.

Possible litigation

These proposals are unworkable. It would, in theory, be possible for an individual to go to court, either before or after a programme, to demand the airing of a rival view, however irrelevant. This prospect can please only those litigious individuals who argue, without evidence, that British broadcasting systematically favours the Left.

During the passage of the Bill, the government was pressed to specify in detail other aspects of commercial television. Some, for example, wanted ITV companies to be required to transmit documentaries at pre-ordained times. The government wisely resisted, arguing that the TV Times should not be written inside the Home Office.

Good sense

In speeches, the same good sense has been apparent on impartiality. Mr David Mellor, the minister responsible, said only a month ago that impartiality could not be guaranteed "though any mechanistic statutory requirement". He also acknowledged that politicians are not well placed to arbitrate on such matters.

He was right then and the government is wrong now. The amendments should be withdrawn or at the very least greatly simplified. And the ITC drafters should interpret any statutory requirement for a code in the most flexible way permissible.

The Broadcasting Bill was designed for a more mature age of broadcasting, when more players should mean more diversity and less regulation. The new impartiality clause can only point British broadcasting back towards the kindergarten. Television is too important to be patronised in this way.

William Dawkins and **John Wyles** on the alliance between Fiat and CGE

Logical link-up of European giants

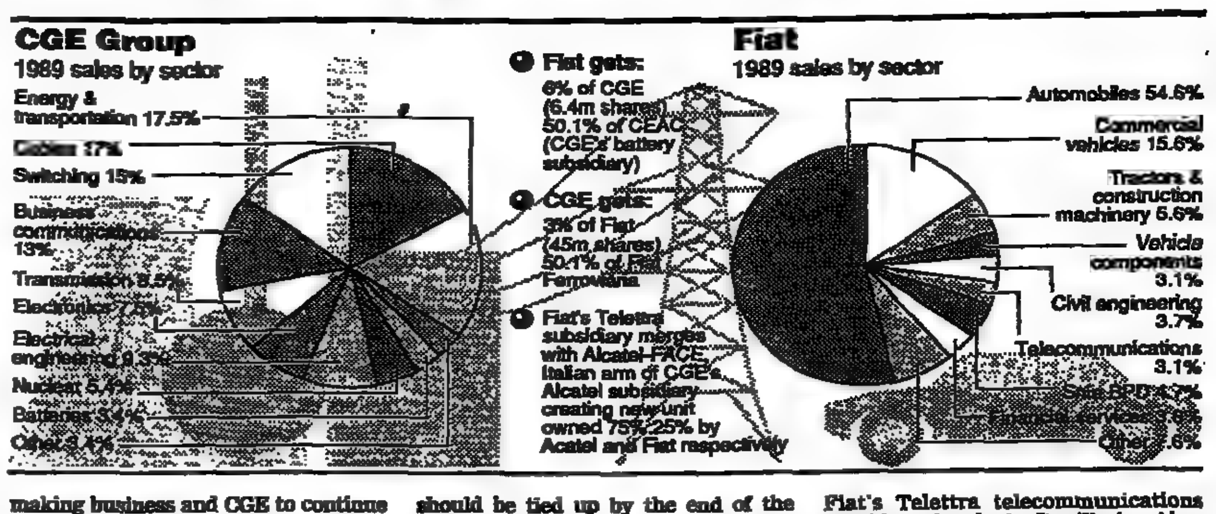
Very few of the visitors to the Paris Motor Show on Tuesday probably thought to ask themselves why Fiat, the Italian car maker, had sent along all three of its top men: the presiding Agnelli brothers plus Mr Cesare Romiti, Fiat's managing director. Certainly, nobody saw the trio from Turin slip off discreetly with Mr Pierre Suard, chairman of Compagnie Générale d'Electricité (CGE), the French telecommunications and engineering giant.

It was only yesterday that the purpose of their meeting became clear, with the announcement of an extraordinary pooling of interests between Europe's largest supplier of telecommunications and railway equipment on the one side and its third-largest car maker on the other.

They will take minority stakes in each other and swap control of three businesses: Fiat's telecommunications and rail equipment interests going to CGE and the French group's car battery making division likely to go to Fiat in the next few months. Further ahead, the pair agreed to create a group, 50 per cent owned by each, to explore further collaboration across a wide range of technologies, including artificial intelligence, robotics, industrial components, metallurgy and avionics, among others.

The deal seems partly motivated by the two companies' feeling that they can only be strengthened by such a link-up as the European Community enters the last straight to the more competitive world of 1992. "Our common vision of the future of European industry played a significant part in bringing these negotiations to a conclusion," said Mr Suard.

More immediately, the accord will allow Fiat to focus on its core car-



making business and CGE to continue to build up telecommunications, which has accounted for just over 60 per cent of its turnover since its acquisition four years ago of ITT's European telecommunications equipment businesses.

The loose ends of the agreement, the fruit of contacts initiated several months ago by Mr Giorgio Frasca, chairman of Fiat's French offshoot, should be tied up by the end of the year. If all goes to plan, CGE will become one of Fiat's large shareholders, while the Italian car maker will be CGE's second stakeholder by a small margin behind the Société Générale bank, owner of 6.4 per cent.

The asset swap at the centre of the deal, under which Alcatel, CGE's telecommunications offshoot and its main source of business, takes control of Fiat's Telettra telecommunications subsidiary has logic. It will give Alcatel second position in the FFr64bn world cable transmission market after the US giant AT&T. It also brings Alcatel level with NEC of Japan in the FFr26bn market for microwave transmission equipment. This is a blow for Fujitsu of Japan and Siemens of Germany, formerly Alcatel's nearest competitors in transmission equipment and now left far behind.

Telettra is well represented just where Alcatel is weak: in Italy and Spain. While Alcatel is strong in the supply of telephone exchanges there, it is only barely represented in transmission equipment and is now set to double its sales in a market reckoned to be growing at least twice as fast as the European average.

Fiat's railway equipment arm, Ferroviaria, fits almost as neatly with GEC Alsthom, the French group's second most important business. The deal will bring Ferroviaria's high-speed train alongside the celebrated Train à Grande Vitesse made by GEC Alsthom, as well as uniting two big suppliers of rolling stock for the Channel tunnel.

The final brick in the edifice is the transfer to Fiat of a controlling stake in the Compagnie Européen d'Accumulateurs, owner of Chloride car batteries. This turns the Italian car group into European's leading supplier of lead acid car batteries, through its Magnetti Marelli automotive components subsidiary.

The big question is how much further the two groups will collaborate. For CGE, the Italian link provides a chance to bring a loyal supporter to its otherwise fragmented shareholding structure, in which there is only one other outside investor with more than 5 per cent. But Mr Suard says he does not wish to go beyond the cross-shareholding announced yesterday.

More than that, the general theme behind their technology collaboration will be to pool know-how in areas of research where Fiat and CGE have common needs but do not directly compete. Both sides' technology shopping list is long and varied, suggesting that this might just be the first step in a deepening alliance.

Fiat chooses France

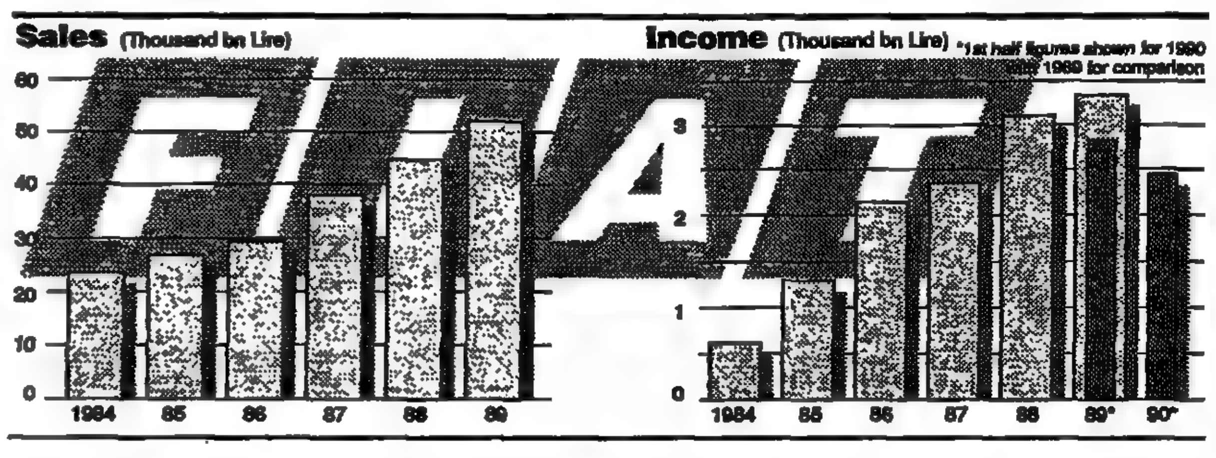
Broad smiles in Turin and gnashing of teeth in Rome were the contrasting accompaniments yesterday to the announcement of the Fiat group's startling and potentially far-reaching strategic link-up with CGE of France.

For the Turin company the deal responds to the challenging requirement to concentrate more resources and management effort on its core automotive businesses. At the same time, however, it is a stinging blow to the Italian state, to its giant industrial holding company, IRI, and to the notion that Italian politicians have any real interest in, let alone capacity to administer, a coherent national industrial policy.

Mr Cesare Romiti, the Fiat managing director, is a master of the deadpan, and his insistence yesterday that the tie-up with CGE should not be seen as a choice of France against Italy cannot be taken at face value. Most of the things he has decided to do with CGE he could have done with the IRI subsidiary holding company, Finmeccanica.

But the Italian option has effectively been ruled out by political interference in Rome and Mr Romiti's own quite intense aversion to joining hands with the "political" management of the Italian public sector. There was genuine distress at the IRI headquarters in Rome yesterday both because the holding company had been prepared to pay more for Telettra than the L2,500bn CGE has put into the deal, and because for more than two years it has wanted to get its hands on the Fiat Ferroviaria railway equipment company which will now come under the control of GEC-Alsthom.

The responsibility for these "losses" belongs squarely with the political parties which for many months have consistently blocked the basis for an IRI-Fiat package because they saw the resulting reshuffling of assets as threatening the prevailing balance of party power and patronage within public companies.



The result is at least two lost opportunities for Italy's public sector. All possibility of a merger of Telettra's transmission manufacturing business with Italtel's telecommunications equipment manufacturing activities is now lost, three years after Mr Romiti tore up a draft agreement with IRI, Italtel's parent, on such a merger because he feared political interference in the management of the joint venture.

Second, Finmeccanica's plans for building an integrated railway equipment manufacturer which would have included the Fiat company will have to go back to the drawing board.

For Fiat, the deal with CGE has considerable promise. After the abandonment of the merger with Italtel, it has been clear that Fiat needed to find Telettra a strong foreign partner and it has done so within a framework which could also cater to the needs of its other activities.

As Mr Romiti made clear yesterday, the joint holding company with CGE which will aim at new technological initiatives could bring powerful extra resources to bear in the development of new composite materials, of artificial intelligence technologies and of telecommunications services to be applied to transport. This in itself is a clear indicator that Fiat has now concluded that it cannot stand alone as a disparate conglomerate and ensure its position in the very difficult decade which lies ahead.

All the main challenges centre on the future of its passenger car business which has achieved a marvellous recovery in the 1980s but which faces some particular problems if it is to remain a leading force by the year 2000:

- Most of its production is based in Italy, where costs are rising at a faster rate than in other auto-producing countries.
- In a world of global marketing, Fiat car sales lack geographical spread. Last year it sold only 168,500 units out of 2.284m outside Europe. It depends on the Italian market for 65 to 70 per cent of its total car sales. Its dominant position is already being eroded by competition from other European suppliers and could fall sharply when restrictions are lifted which currently keep Japanese sales down to less than 1 per cent of the market.
- Quality problems have kept Fiat weak in several European markets, notably the UK.
- It remains heavily dependent for its profits on high-volume low-margin small cars.

Mr Romiti is as determined as his boss, Mr Gianni Agnelli, that Fiat should remain an independent producer, but this does not exclude a host of catholic collaborative arrangements, including with the Japanese in the components sector. These form part of a wider strategy which Mr Romiti placed before his managers a year ago with the sober observation that Fiat was becoming "sad, laggardly and bureaucratised".

The road to improvement and future strength, he has decided, will be built on maintaining market strength in Europe, attaining technological excellence and continued financial solidity, forging selected international relationships of the CGE-type which may yet be supplemented by a deal with Chrysler, developing human resources and diversified strength across the group.

Pride of place, however, has been given to the concept of "total quality" which borrows heavily from Japanese values and practices. It seeks the best possible product at the lowest possible cost by reforming relationships and practices within the company, and between the company and its suppliers.

The search for savings goes wider than this. It also embraces ambitious and politically courageous low-cost manufacturing operations in the Soviet Union, Poland, Yugoslavia and Turkey. Fiat aims to own 30 per cent of eastern Europe's production capacity by the year 2000, and to secure an equivalent share of the region's projected sales for that year of 3.85m.

The plan assumes a much slower growth in revenues than the 18 per cent annual average increase of the past four years and a stronger downward pressure on margins because of sharper price competition. With a cash surplus of more than L3,000bn at mid-year, Fiat's cash position is enormously strong, and needs to remain so, since the company's cash flow will not be sufficient to sustain investment needs over the next three to four years.

Mr Romiti betrays not a moment's anxiety in public about the adequacy of his strategy for meeting the Japanese challenge. Some believe that he may stumble badly on the road to Yelabuga, where Fiat will build 600,000 cars a year with the Soviets.

OBSERVER

NUJ's ballot season

■ The main union for British newspaper people, the National Union of Journalists, has produced a constitutional curiosity which even the architects of the Conservative labour laws could not have devised.

Harry Conroy, general secretary, faced periodic re-election earlier this year. The result was his defeat by Steve Turner, leader of the union's branch at the tabloid Daily Mirror. It was only the second time the general secretary of a TUC union had been defeated in a ballot under the new laws requiring periodic re-election, and was a great shock for the top brass.

But Turner will not be taking up the job at present. He has failed to reach agreement with the union's national executive on the terms of his employment.

Drawing from the Mirror style-book, Turner says that in the "stab-in-the-back" political atmosphere which occasionally pervades the journalists' union, he wants assurances that he will receive severance terms as generous as those available to his predecessors if he is forced out of office prematurely.

The executive has decided to call a fresh election. There is, however, nothing to stop Turner putting himself forward as a candidate again. And if he should win, and fail to agree terms for taking on the job, the cycle could, in theory, continue for ever.

Another of the Government's labour law reforms allows unions funds for their ballots.

McDermott's day

■ New York's large money centre banks may be going through a shake-out, with staff departures and dividends threatened, but one of the sector's most respected analysts is going from strength to strength.

James McDermott, who heads the research side of Keefe,Bruyette & Woods, a boutique investment firm which specialises in bank securities, has just been elevated from vice-president to president of the business. That makes him the front runner to succeed chief executive Charles Lott, aged 62, who takes on the chairmanship from Gene Bruyette in the same reshuffle.

The moves are all part of a generation change at Keefe, Bruyette, where the people who founded the firm 28 years ago are reaching retirement age. McDermott, aged 39, joined the firm in 1977 after working for Chase Manhattan Bank. Over the past decade he has built the research operation up into one of the most widely quoted in the industry.

A self-styled "player-manager", he says he is keen to continue researching the money centre banks. His new responsibilities will include coordinating the firm's research, corporate finance, and sales and trading activities.

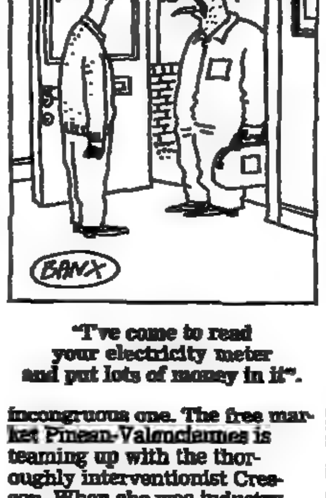
In spite of the current deep gloom in the US banking industry, he remains enthusiastic about its prospects over the next five to 10 years. He forecasts the sector will emerge from the watershed restructured and much more able to hold its own in the global marketplace.

Private life

■ Edith Cresson, who has left the French government (she was minister for European Affairs) after a resounding attack on the government's lack of commitment to industrial policy, has already found a job in the private sector.

It is with Didier Pineau-Valenciennes, the chairman of the Schneider group.

The partnership appears an



"I've come to read your electricity meter and put lots of money in it".

incongruous one. The free market Pineau-Valenciennes is teaming up with the thoroughly interventionist Cresson. When she was industry minister six years ago he clashed vigorously with her over the collapse of his engineering subsidiary Creusot-Loire.

But times change. She will now head a new Schneider subsidiary intended to promote the group's activities, and will, we are told, "facilitate its contacts with people who count at the very highest level".

Cresson has plenty of fans among the ranks of French businessmen who do not necessarily admire her socialist politics — not least Jacques Calvet, the chairman of Peugeot, who shares her views on restraining Japanese car imports.

He speaks warmly of her courage in attacking some of the plumper French sacred cows.

Elisabeth Guigou, her successor as minister for European Affairs, attracts a different form of admiration — usually a cold appreciation of her intellectual precision.

Since she has already had virtual control of France's European policy as adviser to President Mitterrand and head of the key administration coordinating committee, she may find it easier than Cresson to get her way.

She also has the advantage of believing in the European Community. Cresson doesn't.

With fish

■ Cardio-vascular disease is just as baffling as cancer and kills far more people, says an Indian scientist called Vijay Kakkar.

Worldwide, over half of all deaths are from the disease. Fourth-fifths of them begin with a thrombosis or blood-clot.

Professor Kakkar is director of the newly-opened Thrombosis Research Institute in Chelsea, London, which, with a team of 51, is the first of its kind in Europe, he claims.

He has cajoled two government departments, two drug companies, and a medical charity, as well as private donors, to help fund it.

The centre also has links with another 30 centres in Europe.

A medical scientist with King's College medical school in London, Kakkar has been studing thrombosis since the late-1960s.

His research team's work includes a way of radio-actively labelling clots which "enabled us to define the magnitude of the problem".

Meanwhile, he puts some of his faith in eating fish twice a week. If his wife had her way it would be twice a day.

Remember?

■ "Knock knock."
"Who's there?"
"Kylie."
"Kylie who?"
"That's show business."

POLITICS TODAY

The century that Labour must score

By Joe Rogaly

Anyone who expects Britain to be governed by a Labour administration after the next general election should picture a list I have before me. It shows the 100 seats Labour needs to win if it is to command a majority over all other parties in the House of Commons. Do not trouble yourself with the sub-clauses of resolutions at the party conference which ends in Blackpool today. Pass over the rhetorical flourishes in the speeches at the Conservative conference in Bournemouth next week. Think as party managers do. Think about the list.

The first constituency on my list is York, where the majority over Labour at the last election was 147 votes, or 0.2 per cent. We must assume that Labour will win York, or there is nothing more to be said. The 96th name on the list, however, is Peterborough, where the majority to be overturned is 9,784 votes, or 15.8 per cent. If the election had been held in April, when outrage at the poll tax was at feverish height, this would have been easy. If the election is held next October, as it very likely will be, or the following April or May, as it might well be, the poll tax springboard is likely to have lost even more of its force than it has already. Yet the hurdles get higher as the list approaches its end. Kensington, Putney, Fulham, Eltham, Erith and Crayford, Norwich North – the run of 14 and 15 per cent hurdles is pretty daunting, even for those who argue that anti-Thatcherism is sweeping the land.

This should be understood by Mr Neil Kinnock and his immediate entourage. Politicians who have studied the market for votes with as hard-nosed a fixation on winning as have these grey-suited gentlemen are unlikely to overlook the arithmetic of the process. A number of close associates of the Labour leader have confirmed this in conversations this week. Being human, they allow themselves to hope for a landslide; being pragmatic, they consider the odds against not quite making it.

It is the "not quite" that is so intriguing. Divide my list in two – straight down the middle. The 51th most difficult seat to win is Westminster North, where Labour has to overturn a majority against it of 3,310, or 7.9 per cent. In today's political atmosphere that looks quite winnable to the opposition, or at any rate losable by the government. The economy will have to pick up pretty sharpish, and interest rates fall quite steeply, to save many of those seats. This opens up a real prospect of the end of the era that began in May 1979. For if the first 50 seats on the list of marginals are won by Labour Mrs Margaret Thatcher will have lost her overall majority. What happens then has been the subject of some discussion in both parties. I assume that the Conservatives would hold more seats than Labour. The Tories might be able to carry on, but such an administration would be highly unstable, as would be a carry-on-regardless Labour government.

We therefore face the rare prospect of a House of Commons that matters. The Ulster Unionists would certainly be important. The Liberal Democrats might be if they maintain roughly their present strength, or, as seems less likely, improve on it. The Labour party can do little about the Ulstermen: even Mr Kinnock could not present himself as a convert to that particular cause. Labour can, however, reasonably hope to win the support of Liberal Democrats. It has already put in much effort to that end. It could be argued that most of what has happened in Blackpool has amounted to a concerted effort to attract former members of the Alliance, along with disgruntled skilled working class voters who crossed to the Tories and may now return.

It could be argued that most of what has happened in Blackpool has amounted to a concerted effort to attract former members of the Alliance

The Liberal Democrats are more convincingly capitalist than Labour, but the gulf is not wide. Labour is the more thoroughly determined of the two not to be outflanked on the right when it comes to defence policy but, again, there is not a great deal in it. The Labour policies on the environment, as put forward this week, do not match the free-spirited thoroughness of the centre party's proposals but they have almost certainly served their primary purpose, which is to put the government on the defensive. Add education, health, local government, the poll tax and transport and you have a goodly array of policies on which it will now seem to many voters that Labour has won the argument against the Tories. That may not be enough. Scoring victories on these issues in the 100 marginal constituencies will in many important cases depend on capturing potential Liberal Democratic votes. This helps explain the striking similarities between the tiny centre party's conference and Labour's.

There is, of course, one big difference. the Liberal Democrats have produced a brave attempt at a draft written constitution. This is still the preoccupation of a tiny minority of people, but the minority is spawning in surprising ponds. On Monday the Institute of Economic Affairs, which probably did more to promote the victory of market-thinking over the past decade than any other think-tank in Europe, published a paper advocating a written constitution, an elected second chamber to replace the House of Lords, an independent central bank, a proper structure for local government, and the incorporation of the European Convention of Human rights into British law. All this fits, says the author, Frank Vibert, within "the perspective of the conservative tradition."

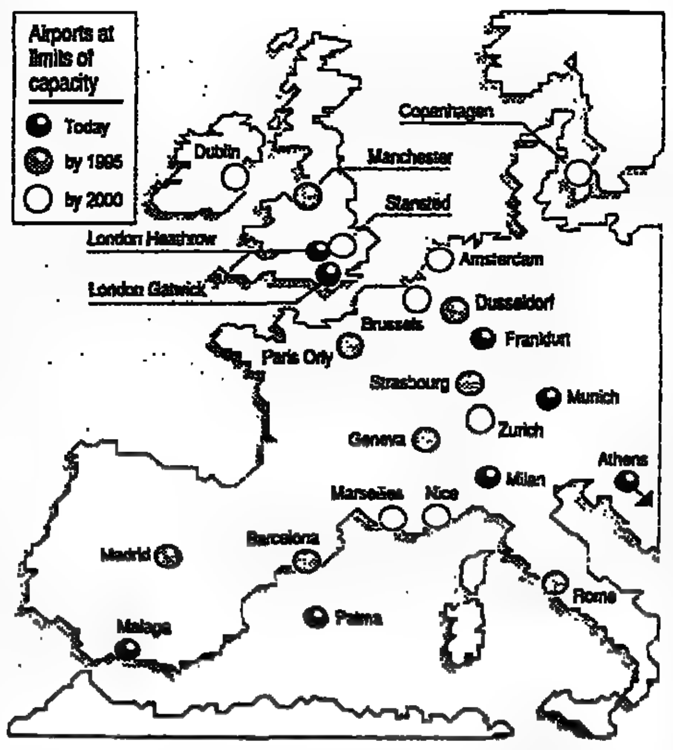
The Labour party is now under some pressure to take the lead on these matters. Its deputy leader, Mr Roy Hattersley, set out its agenda – a Scottish parliament, other regional assemblies, an elected second chamber and so on – yesterday, proclaiming it to be "the most radical programme of constitutional change which Britain has seen this century." Actually it is the most intellectually inconsistent such programme, since the "elective dictatorship" to which Mr Hattersley referred so scathingly would continue to be bolstered by its prime source of power, a Commons elected by first-past-the-post. This system gives Tories and Labour each a spell of unfettered power. "This party will not, in the end, support an electoral system that prevents Labour from ever again governing in its own right," said Mr Hattersley.

He is almost certainly correct. Helped by trade union barons, enthusiastic activists yesterday urged the party to consider electoral reform for the Commons as well as the proposed Scottish and regional legislatures and elections to the senate and the European parliament. This process, said Mr Hattersley, would be a diversion, not a tragedy. I suspect that senior Labour shadow ministers will be press-ganged into joining the debate, on the side of first-past-the-post. Yet there remains one small window of light at the end of the dark room, just a crack open.

A member of the shadow cabinet who is arguably closer to Mr Kinnock than is Mr Hattersley put it to me as follows: "If we have no option but to accept a deal on electoral reform, we'll do a deal." You realise, I said, that that would mean no overall Labour majority ever again. "Yes. But if there is no other way out, we'll have to accept that." One of the Labour leader's close advisers argued that yesterday's "relaxed approach" by the leadership to pressure for a debate on electoral reform was advantageous. "It may attract a few Liberals. We'll out-argue PR in the coming debate. We cannot lose." Mr Hattersley specifically ruled deals out yesterday. Yet the list of constituencies Labour must win may turn out to be more powerful than today's protestations of pride. The day after the next election Labour might be split down the middle on this. Some say they would rather have more of Mrs Thatcher than accept proportional representation in the Commons. Some delegates have the passion for reform that once might have been applied to, say, nuclear disarmament. We shall see.

Dogfight for EC airport space

Paul Betts and Tim Dickson discuss how bureaucrats and airlines are at odds over slots



Slot has recently become the most controversial four letter word in European civil aviation.

Proposals by the European Commission to introduce new rules for rationing take-off and landing slots at overcrowded airports to increase competition in air travel are causing growing commotion in the airline industry.

Large airlines are angry and worried by the threat to force them to hand over slots at congested airports such as London or Frankfurt to their smaller competitors. "In what other industry would a company be forced to surrender a hard-won asset?" an executive of a large airline asked. "Imagine how a big department store with a prime site on a high street would feel if someone suddenly came along and told it that he was taking away 3,000 sq ft."

The big airlines are all the more concerned by the EC proposals because they are being drafted at a time of uncertainty in the industry. Higher fuel prices and operating costs coupled with signs of falling air travel demand are already touching airline profits.

Big carriers such as Air France and Lufthansa have been reporting half-year losses, while the City is scaling down significantly full-year profit forecasts for British Airways. Mr Bob Crandall, the chairman of American Airlines, one of the strongest western carriers, also recently warned that the airline's financial results would be "stinko".

Ironically, small carriers are also worried by the EC proposals. Many feel that the existing system of allocating slots through traffic scheduling committees run by the airlines themselves, while not perfect, has worked reasonably well.

In a letter to the UK Department of Transport, the British Air Transport Association (BATA), which groups together virtually all British airlines, emphasised that the existing more flexible scheduling system was preferable to a new one on a legal framework. Smaller airlines seem more worried about higher landing and airport handling charges as a barrier to market entry than slot availability.

But the EC believes that a fairer system of distributing slots at congested hub airports in Europe is essential if Europe is to develop a genuinely competitive air transport industry.

Up to now, the slot issue has been overshadowed in Brussels by merger policy and the question of how to defuse the potential threat to airline deregulation posed by partnerships, joint ventures and takeover deals by large carriers. Yet strategies for tackling the problem of congested airports have been steadily rising to the top of the agenda.

Under the second phase of EC air transport liberalisation, an airline from one EC country will be able to carry revenue traffic between hubs in two other EC countries from the beginning of November. However, the competitive impact of this important measure risks being undermined if airlines are unable to secure the necessary slots to operate new so-called "fifth freedom" services between hubs.

Mr Karel Van Miert, the EC's transport commissioner, has already carried out extensive consultations with EC governments and the airline industry, and is planning to present a draft code of conduct on slot allocation to his fellow Commissioners before Christmas. The UK government has ordered its own review of slots and is considering changes to the rules restricting new carriers from offering services out of the London airports of Heathrow and Gatwick to increase competition.

Several proposals are still on the table. It looks certain that, whatever scheme is adopted, it will involve some of the big carriers giving up some of their existing rights.

There are three main options. The most radical would be to auction slots, selling to the highest bidder. This has not been officially ruled out, but it is considered unlikely on the ground that it could harm the smaller airlines it is meant to help by pricing them out of the market.

The US has already experimented with pricing mechanisms to create a more competitive market for slots. It introduced in 1986 a so-called "buy and sell" system for slots at four congested airports: La Guardia and JFK in New York, Chicago O'Hare and Washington National. The US system has been unsatisfactory because incumbent airlines have largely been able to maintain control by selecting which slots, and to whom, they sell.

The second option would ensure that the traffic scheduling committees, which manage the business of slot allocation, distribute a proportion of both newly created slots and those surrendered voluntarily by airlines to new entrants. This would create a "slot pool" enabling new entrants to gain access to congested hubs.

On the assumption that even after the creation of a "slot pool" there would still not be enough capacity to satisfy new demand, there are those who argue for the third option which would force established airlines to give up some of their precious slots. The final code will probably combine allocating new slots and clawing back existing ones from the big carriers.

The latest draft paper drawn up by the department in Brussels responsible for transport policy proposes that air carriers holding more than eight slots a day at a congested airport would be asked proportionately to scale down their numbers. No new airline entering the market would be allowed more than two slots in a four-hour period.

In Brussels, officials concede that the slot proposals have provoked strong opposition and even ridicule, but they say that the solution will come to be popular with the smaller carriers they are trying to encourage to enter the market.

But airlines, large and small, remain unimpressed. Unlike in the US with its longer routes, the key to success in the predominantly short-route European market is frequency and timing of flights. Even were they to gain more slots at busy airports, small airlines do not have large enough fleets to provide the necessary frequencies to compete in a European hub-to-hub market which is now entering a particularly turbulent economic cycle, says Mr Chris Tarry, an airline analyst at Kleinwort Benson, the investment house. Their best opportunities remain in developing niche markets.

Carriers would rather continue to sort out their slot problems through their own scheduling committees. They also fear the Commission is about to create a new bureaucratic and legal mechanism which will complicate rather than ease the problems of scarce airport capacity.

Yet Brussels appears intent on forging ahead with its controversial airport slot allocation code. The stage is set for a long and noisy confrontation.

LETTERS

TV and the iron hand

From Ms Frances D'Souza.

Sir, The government's introduction of an impartiality clause in the Broadcasting Bill, which comes before the House of Lords next week, is yet another step towards censorship of television broadcasting.

While the amendment itself is unworkable and unfair, of equal concern is the mechanism by which it was introduced and the precedent that it sets. The Broadcasting Bill was vociferously condemned by a number of individuals and organisations, with some success, when it was first introduced, in that controversial clauses were either excluded or modified. These efforts are now undone since the iron hand of government in deciding the editorial content of programmes is once again apparent.

Despite the guidelines, impartiality, like the notion of offence, is arbitrary and subjective. What matters is who decides on what bias is. This new clause implies that broadcasters are not themselves capable of monitoring bias within a series. The amendment, if enshrined in law, will introduce yet more self-censorship, one of the most insidious and widespread forms of censorship in the UK.

Furthermore, the UK, unlike other European countries, will be taking a decisive step towards tightening control of the editorial content of broadcasting, rather than following the trend towards reduction of control so evident elsewhere.

Frances D'Souza,
director,
Article 19,
90 Borough High Street, SE1

Energy sources overlooked

From Mr David Ross.

Sir, Mr John Wakeham says nuclear power is the only energy source that does not contribute to global warming ("Wakeham warning on danger to climate," September 25). He is perhaps overlooking wind, wave and tidal power, all of which are suffering disadvantages as a result of his energy policy. As the Watt Committee has pointed out, the long pay-back period needed for such schemes makes them unsuitable for funding solely in the private sector.

In addition, the government has imposed an eight-year limit on the period in which renewables can benefit from the so-called nuclear levy. This is nominally in compliance with a European Community ruling, but Brussels is not the guilty party: information from that quarter suggests that Sir Leon Brittan would be happy to exclude renewables from the limit. Indeed, the EC supports the development of renewables in many member-countries and it requires only that Mr Wakeham should seek an extension.

His statement also conflicts with his policy of encouraging gas turbines, which certainly contribute to global warming albeit to a lesser degree than coal insofar as carbon dioxide is concerned. Given the five-year moratorium on further nuclear development, surely the wise policy would be to seek revision of the limitation on renewables in Brussels, and also to reconsider the method of calculating energy costs by discounting, which is so damaging to those new sources which are capital-intensive and require a long period to show their financial benefits.

David Ross,
55 Ruskin Park House,
Champion Hill, SE5

Easier cross-border payments

From Mr Herbert H. Myers.

Sir, In response to Mr Bernard Keefe (Letters, September 3), there is a more convenient way of making cross-border payments. WorldLink's foreign currency disbursement system enables companies to initiate or make payments in more than 60 currencies from their offices using their personal computer or mainframe system installed with custom software.

Thus companies can bring their payments process in-house giving them greater control and significant time and cost savings. Customised multi-currency cheque stock, stop payments, photocopy requests and 24-hour customer service are all provided at no cost to current clients.

Herbert H. Myers,
senior vice-president,
Citicorp Global Payment Products,
Kensington High Street, W14

ERM: the Spanish experience

From Mr Andrew Shouler.

Sir, Your editorial comment ("Spain heading for crisis," September 25) notes the political value of the exchange rate mechanism (ERM) 15 months after joining. It correctly observes that the economic blessing has been not so much mixed as missing, but surely draws a desperately erroneous conclusion.

Indeed, Spanish inflation is barely lower than at the entry date, boosted by inflows of funds attracted by the guarantee of the ERM against currency devaluation. Trade and current account figures have also deteriorated, thanks to a peseta artificially overvalued, likewise because of the ERM. Monetary policy has been compromised, with the introduction of credit controls which the central bank has deplored as "condemned to inefficacy", by exchange rate targeting.

Yet, somehow you fail to acknowledge that the ERM may actually be pernicious, as denying the operation of market forces in the face of economic imbalance tends to be. Instead of delivering a warning for the UK as you might, you say the slack in restraining an overheated economy should be handled by fiscal policy. You compound this absurdity by nominating higher taxation to remove demand (not even comparing the option of lower state spending).

The idea that governments should fiddle with tax rates to manage demand in the economy is not only morally dubious, it is a dead Keynesian duck, given that, in practice, these days excess purchasing power originating in credit massively overwhelms that in disposable income. Even dyed-in-the-wool academicians admit that inflation is ultimately a monetary phenomenon. How many times does this tale have to be told?

Just when, in the UK, we have rediscovered the consequence of abandoning monetarism in the mid-1980s – double-digit inflation – we seem eagerly to be contemplating belonging to a mechanism which not only does not systematically of itself assist disinflation but actually suggests the wrong tools for the job. What a horrendous approach to policy!

Can you imagine what a Labour government, if elected, might do if supposedly informed opinion underscores higher taxation as an economic as well as a social prescription?

Andrew Shouler,
Riverhaven,
Conway Gardens,
Grays, Essex

Too simplistic a divide

From Mrs Bridget Rosewell.

Sir, Your editorial comment ("A country divided," September 27) concludes that the Cambridge Regional Economic Review "fails to propose a convincing solution" to the regional divergence in economic performance. Perhaps the reason is that the problem is not a convincing one.

Our analysis and forecasts show that growth is already spreading out of the crowded south and east into the Midlands and south Wales. An arbitrary north-south divide is too simplistic to capture these realities.

Improved road access, more efficient manufacturing and inward investment have all benefited regions which might be considered by many to be in the north. Further, the decline in the northern region, described in the editorial, took place largely before 1985. Since then, the region has maintained its share of UK economic activity.

This is not to deny that prosperity is much higher in the southern half of the country. House prices are higher, wages are higher – and so too are commercial property costs and business expenses. It takes time before these differentials produce any effects. We are now beginning to see this emerging but it would undo all the progress made to encourage regions to rely once again on regional policies, whose effectiveness has always been dubious.

There are already effective regional development agencies which have had considerable success in attracting new investment and making companies aware of their region's advantages. It is an insult to their efforts, as well as to all those businesses which already have the pleasure of being based outside the south, to suggest that major new interventions are needed.

Bridget Rosewell,
joint managing director,
BSL Business Strategies,
10 Kendrick Mews, SW7

FINANCIAL TIMES
Friday October 5 1990

Rebels capture two Mindanao cities

By Greg Hutchinson in Manila

A FORMER senior officer in President Corazon Aquino's palace guard held at least two cities after a bloodless mutiny on the southern Philippine island of Mindanao yesterday.

The revolt was the country's most serious military uprising since last December's lengthy coup attempt that turned the business centre of the capital, 300 miles to the north, into a battle and sniper zone.

Rebel supporters of the renegade colonel, Alexander Noble, claimed two other cities apart from Butuan and Cagayan de Oro – Iligan and Agusan – were also under their control. There was no independent confirmation of this. Col Noble, a charismatic northern Filipino of tribal origins, was a leader of the December rebellion along with former Col Gregorio "Gringo" Honasan.

The two are believed to have met some weeks ago in Mindanao to plan the rebellion.

Col Noble had been fighting loyal army troops in the hills of northern Mindanao for some months before this latest insurrection with a motley band of tribal warriors.

Mindanao is rich in gold and other minerals. Its exports, including two thirds of the country's pineapples and much of its coffee and copra, account for well over half the Philippines' trade earnings.

However, it gets only a fraction of that back in government expenditure and services – a source of much anger.

The colonel has banked on this resentment – which helped spawn the 1970s war with Moslem guerrillas that killed 50,000 people – by saying he is leading a "war for the liberation of Mindanao".

His rebel soldiers displayed the red, blue and green flag of an independent Mindanao as he rode into Cagayan de Oro.

Late last night loyal generals considered plans to retake the cities from the rebels, but they said it could take days to mobilise.

They warned that rebels could step up their destabilisation campaigns further north.

The government closed airports and ports in the four cities directly affected, and troops were placed on battle-ready alert.

Some 41 bombs have exploded in the capital in the past seven weeks. The explosions helped divert attention from what was brewing in Mindanao, the country's second largest island.

The Aquino government has played down the insurrection, calling it a "minor mutiny".

Earthquake, revolt and Iraq leave Philippines reeling, **writes Roger Matthews**

Aquino under siege from all sides

NATURAL disasters, Middle East politics and the enemies of President Corazon Aquino are relentlessly dragging the Philippines to its knees.

Yesterday's military insurrection on the southern island of Mindanao is the latest in a series of attempts to destabilise an Aquino regime already buffeted by six attempted coups, an earthquake and progressively more dismal economic prospects.

National morale is lower than at any time since the "People's revolution" swept the late President Ferdinand Marcos from power in 1986 and installed the machinery of democratic government and a woman who has never been more than she initially seemed: decent, devout and conciliatory, but lacking the decisive leadership and determination needed to operate an American presidential system in a country dominated by entrenched and self-interested family groupings.

Since last December, when only the appearance in the skies over Manila of two F4 US fighter aircraft saved Mrs Aquino from the most serious military rebellion to threaten her government, the administration has staggered from crisis to crisis, and, in the process, it has shed most of the support of even close international allies.

Although President George Bush publicly endorses the achievements of Mrs Aquino, there is little doubt that US officials more closely involved with the Philippines have all but given up hope.

The only optimism they express is that somehow the government will totter through to the presidential elections in 1992 and that the unrealised Filipino dream of combining in one person the dual qualities of strength and democratic intent will at last be realised.

But the omens are not good, and it may be a measure of

Military police direct traffic after the bombing of army headquarters in Manila and insurrection on Mindanao

Mrs Aquino's opponents that, in spite of all the wounds inflicted on her government and the decline of popular support, she is still president of the Philippines.

After the rebel troops' week-long occupation of Makati, Manila's business district, in December, the city was subjected to repeated power failures and blackouts earlier this year which severely disrupted offices and factories. September brought floods as the city's inadequate sewerage system became choked with uncollected rubbish.

In between, the northern city of Baguio and much of the surrounding agricultural area were devastated by an earthquake which also caused damage in Manila and cost the nation hundreds of millions of dollars in lost infrastructure, buildings, production and tourism revenues.

Then again, Mrs Aquino's opponents in the military have treated Manila to an almost nightly series of small bombs. None of them has done great damage, either to people or to buildings, but they do give pause to foreign investors.

So did her acquiescence to the protectionist lobby in late August when she backed away from the tariff cuts that might have breathed some competitiveness into the economy and brought the Philippines more into line with its largely successful partners within the Association of South East Asian Nations (Asean).

The man who claims much of the credit for bringing Mrs Aquino to the presidency, Jaime Cardinal Sin, the powerful Archbishop of Manila, put yet another spoke in the reformist wheel of Mr Jesus Estanislao, the finance secretary, by suggesting that it was morally wrong for the government to continue servicing its $26bn foreign debt when part of the population was still suffering the effects of the earthquake.

While foreign businessmen, particularly the Japanese, were holding up their hands in horror at the implications of such a move, President Saddam Hussein invaded Kuwait.

It was a double blow for the Philippines. Some 65 per cent of the country's energy requirements are met by imported oil, while Filipino workers in Iraq, Kuwait and Saudi Arabia are estimated to have remitted well over $100m last year.

The government has been forced to increase the still heavily subsidised price of petrol, aware of the past political dangers of such a move, while also accepting that crude oil at close to $40 a barrel will not only cause a further serious widening of the trade deficit beyond the forecast $2.5bn, but knock perhaps 2 per cent off the expected growth in GNP this year.

The combination of earthquake and Saddam Hussein may mean that the economy of the Philippines could grow by as little as 2 per cent this year, somewhat less than the rate of population increase.

Mrs Aquino will, meanwhile, have to draw troops away from Manila, the key to political control of the Philippines, in order to counter the latest insurgency in the south.

The seventh coup attempt appears to be proceeding according to plan. But it is proceeding in the knowledge, repeated yesterday, that the overthrow of Mrs Aquino would mean the cessation of US economic aid.

Someone might eventually emerge victorious in Manila, but it will assuredly be a defeat for the Philippines.

New German parliament clashes over cost of unity

By David Marsh in Berlin

A CLASH over the cost of unity yesterday marked the first session of a democratic all-German parliament since 1933.

Mr Oskar Lafontaine, opposition party leader, accused Chancellor Helmut Kohl of hiding the extent of financial burdens and urged higher taxes on the better-off.

Mr Kohl said government measures already decided would shortly release investment of DM50bn ($31.8bn) in the eastern part of the country.

Mr Lafontaine, the Social Democrat candidate for chancellor in the December elections, told the united Bundestag that unity would be complete only when living standards in the two parts of the country were aligned.

He accused the government of making "many errors" in pushing unity through rapidly and said heavy government borrowing was contributing to an "unstoppable" increase in interest rates.

Mr Lafontaine said Mr Kohl's repeated calls for solidarity meant that Germans would have to make "sacrifices" for unity. "We will not do this without tax increases – on those who earn more, not the small people," he said.

Mr Wolfgang Thierse, leader of the former East German SPD, spoke for many when he said: "The German marriage has been celebrated but now we have to earn our keep, furnish the house and provide for the children."

In the foreign policy part of his speech, Mr Kohl said the new Germany wanted to maintain its good relations with the US and strengthen those with the Soviet Union.

Soviet President Mikhail Gorbachev is considering an invitation to visit Berlin next month to sign the friendship and co-operation treaty negotiated with the German government last month.

Yesterday's Reichstag debate was enlivened, however, by a display of verbal fireworks from Mr Gregor Gysi, maverick leader of the East German Democratic Socialist Party, the former Communist Socialist Unity Party, who said the state had a duty to look after the "socially weak".

The Bundestag, with its previous complement of 519 West German deputies enlarged by 144 from the east, also debated the government's planned change in procedures for the December elections.

This would involve a split 5 per cent proportional representation threshold for both east and west Germany.

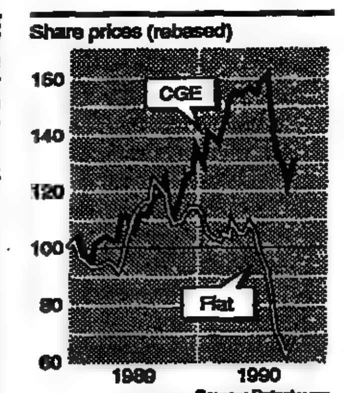
THE LEX COLUMN

When elephants cross the Alps

There is something breathtaking about the CGE/Fiat alliance and the size of the Italian bridgehead which Mr Giovanni Agnelli has given to the French. For CGE, the advantages seem evident immediately in financial and industrial terms. On receipt of 6 per cent of CGE's shares, cash-rich Fiat is enrolled among the friendly French insurers and banks who hold most of CGE's stock and readily finance its global aspirations. Industrially, CGE gets its chance of a crack at the Italian railway market and moves up another step in the world telecommunications league. For Fiat, the benefits seem more long-term and less relevant to today's share price.

Fiat's shares have been in a tail-spin for most of 1990. But even at their present rating of about 6 times earnings they hardly seem cheap, such is the state of the European automobile market in general and Italy's in particular. The CGE deal helps in the short term only insofar as it offers prospects of some quick profit margin gains. Fiat also gets cash up front; and the merger of its Telettra telecommunications unit with CGE's Alcatel relieves it of an R&D burden. Longer-term, the deal seems to point somewhere more interesting.

Neither Mr Agnelli nor Mr Cesare Romiti are getting younger. If Fiat is hiving off divisions and merging them with groups like CGE, it gives them critical mass in their industries; but it also shifts the burden of management away from the centre, making them less dependent on the Agnelli hand. Perhaps, at last, l'avvocato is relaxing at least part of his grip.



Smurfit

For a hugely geared paper producer in the downswing of the cycle, Jefferson Smurfit presents such a sunny view of life that the instinct is to look for the flaws. Its debt – acquired in classic fashion at the tail end of the 1980s – comes to $2.6bn in its US joint venture alone. But at a time when most US paper companies are reporting falls in earnings of 20 per cent plus, Smurfit has reported a 5 per cent earnings increase for the half year and is happy to talk of an increase for the year as a whole.

Part of this has to do with the company's curious but consistent stance of being debt-prone and risk-averse at the same time. Thus its dominant US interests, tucked away in the joint venture with Morgan Stanley, contributed only 16 per cent of first half profits after interest charges. If the US downturn proves really nasty, both parties will have to top up the venture with more equity; but this is a quite different thing from being exposed to the full $2.6bn of debt, on which no repayment is due for three years. In any case, as the company argues, paper companies can go into loss in the downswing of the cycle without going into cash deficit.

None of this means the risk has been abolished. In the year since the fresh US debt was taken on, Smurfit's shares have outperformed the UK market – to take one random yardstick – by 30 per cent. The market clearly assumes that the company is cleverer than its rivals, both as paper makers and as financial engineers. It is hard to see the shares as undervalued.

Airline finance

It is hard to know who has the bigger financial death-wish – the banks or their airline customers. After eight years of uninterrupted growth the world airline industry is flying into a rough patch. Soaring fuel prices, softening demand and a surge of new capacity are making for an increasingly grim environment.

Yesterday KLM Royal Dutch Airlines added its name to the growing roll-call of airlines warning that they could face a considerable loss in the current year. KLM's shares, which had already more than halved over the last year, fell by another 11 per cent; and there must now be some doubt about its ability to maintain its dividend. Of course, most US airlines do not even bother with dividend payments. Their main concern is keeping up the payments to their bankers.

Consequently, there is a certain irony that on the day that KLM sounded its warning another well-known Dutch institution, NMB-Postbank, announced that it could be counted on to provide $350m of financing for the attempted buyout of UAL. Lest those with short memories forget, it was the collapse of the UAL buyout a year ago which sounded the final death knell for the era of leverage on Wall Street. The sight of these persevering bankers is only slightly less chilling than the thought of what would have happened to British Airways if it had persuaded the bankers to back its proposed $750m investment in UAL.

Polly Peck

Amid the clash of nations over the Polly Peck affair, it may be asked what the poor benighted shareholders are to make of it all. The company's survival now hangs on the Turkish government; or rather, it appears, on whether seemingly friendly warnings from the UK government are interpreted as demanding money with menaces. The company's £864m of net debt represents a lot of bankers' cash; but the £470m of shareholders' assets frozen at the suspension price is not negligible either.

From what is now known about Polly Peck's financial situation, it seems probable that any rescue will involve the banks taking over the remaining equity entitlement as part of their fee. At such a time, prolonged share suspension seems particularly unjustified. If shareholders are to wave goodbye to their money, they might at least be allowed to do it in a market context.

Regulators

The government seems intent on encouraging short-term speculation as opposed to long-term investment. On the one hand it is promising the most generous terms yet for the electricity privatisation. Meanwhile, it cannot have escaped more astute investors that the regulators are making life increasingly difficult for the growing post-privatisation flock. The stock market has not yet discovered which of the water companies are being asked to curb their charges. But that does not matter so much as the growing unease about the regulatory risk surrounding privatisation stocks.

UK warns Amoco on North Sea safety

By John Gapper and Steven Butler in London

THE British government has ordered Amoco, the US oil company, to improve safety procedures on a North Sea gas platform by the end of the month or face criminal prosecution.

The safety order, issued under health and safety regulations, is a tough reaction to what the UK department of energy yesterday described as "unsatisfactory" management systems uncovered at Amoco's Leman Alpha platform during an inspection last month.

The order follows several months in which department of energy inspectors have been concerned about work practices aboard Amoco-operated platforms in the North Sea. Amoco's Montrose platform has experienced two gas leaks this year, one of which last month involved maintenance workers cutting into a pipe that had gas in it.

Amoco yesterday appeared to deny that anything was amiss on the platform. The company said: "It is our belief that the systems [of management] do not constitute any risk to safety and health. My understanding is that we have been asked to document the system that we have in place."

A letter from Mr Peter Robinson, an inspector from the department of energy's safety directorate, said that Amoco had contravened the British Health and Safety at Work Act. It said: "You have failed 1) to provide a system of work which is safe and without risk to health; 2) to provide supervision...to ensure...the health, safety and welfare at work of all your employees..." and others on the platform.

Mr Robinson appears to have become concerned over insufficient supervisory personnel aboard the platform and excessive working hours. Amoco must revise its work practices to the satisfaction of the Department of Energy or face prosecution and possible closure of the platform. Leman is the hub of a gas gathering system that supplies about 10 per cent of UK gas output.

The MSF general technical union, which claims to represent above half of the 250 directly employed and contract workers on 15 Amoco rigs and platforms, said yesterday it had made a number of complaints about unsafe staffing and supervision.

It alleged that Amoco had be breaching safety regulations by:

- Allowing the same person to perform the roles of helicopter landing officer, medical officer and radio officer on each of its installations rather than allocating the tasks to separate people.
- Employing too many contract workers in place of direct employees, and not having enough technical supervisors

US rates 'will rise' if budget is rejected

By Peter Riddell, US Editor, in Washington

US interest rates will rise if Congress rejects the budget agreement, Mr Nicholas Brady, the US treasury secretary, has warned in the face of growing cross-party opposition to the tax and spending measures.

Following approval of the package by Mr Alan Greenspan, Federal Reserve chairman, Mr Brady said it was up to Congress. "If you vote for, interest rates will go down. If you vote against, interest rates will go up."

He also warned that defeat would mean the imposition, from this weekend, of across-the-board spending cuts of up to $106bn which would have a sweeping effect on federal services from air traffic control to veterans' hospitals.

The Bush administration was stepping up its warnings of the dire results of defeat ahead of key votes approving the broad outlines of the deal to achieve $500bn deficit reduction over five years.

The revolt in the House of Representatives against the package has now spread from conservative Republicans, who objected to tax increases, to liberal Democrats, who are attacking cuts in Medicare health provision for the elderly and new tax relief for the better-off.

Faced with an uncertain outcome, President George Bush may indicate that congressional committees, such as the tax-writing House Ways and Means committee, will have some flexibility over changing some details provided the overall targets are reached.

Mr Richard Darman, budget director, has said the administration will not oppose changes "within a reasonable band".

However, the leeway is small – the package is due to be approved by October 19.

Congressional leaders still hoped for victory yesterday but the White House remained cautious about the prospects. Mr Bush yesterday saw 60 more congressmen to say they could blame him for the unpopular measures in the national interest.

In the past, the House has defeated controversial proposals on a first vote, only to approve them in an amended form later.

The White House and the congressional leadership both appear to have misjudged the strength of opposition.

President Bush's nationally televised appeal to the American people to lobby their congressmen in support of the agreement has backfired since legislators reported that telephone calls to their offices were heavily opposed.

Particularly worrying for the administration is that a number of congressmen of both parties normally loyal to their leaders are now critical.

Polly Peck faces banks at meeting

Continued from Page 1

the Foreign Office after canvassing UK bank creditors of Polly Peck.

But a spokesman for Mr Hurd refused to say why the letter included two references to a Monday morning deadline – the key factor which Turkish officials say triggered Mr Ozal's decision to hold up the package. "This is a Bank of England judgment and I have nothing else to say," said the Foreign Office official.

Despite the weekend's events, Mr Nadir said yesterday he would tell bankers today that at least £100m of "bankable cash" backed by the Turkish government was still available to help Polly Peck over its current liquidity crisis. However, he said no Turkish official would be present to vouch for that guarantee.

In Ankara, meanwhile, several senior government officials yesterday denied all knowledge of current plans for a loan to Mr Nadir, saying that none had been discussed at Cabinet level or planning meetings of senior civil servants.

No official contacted in Ankara was willing to admit to any knowledge of a possible rescue package and several were unhappy to be questioned.

"I know absolutely nothing about this affair and it is entirely outside my sphere of competence," said one top government figure. "You must ask Mr Taner and the Treasury."

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	T	22	72	Berlin	R	12	55	Caracas	[illegible]	30	86	Faro	C	22	72	Islamabad	F	30	86
Algiers	S	29	84	Biarritz	S	17	63	Casablanca	C	22	72	Florence	F	27	81	Istanbul	S	21	70
Amsterdam	F	13	57	Bombay	–	–	–	Chicago	S	8	46	Frankfurt	F	13	57	Jakarta	[illegible]	32	90
Athens	S	26	79	Bordeaux	S	17	63	Cologne	F	13	57	Geneva	R	12	55	Jersey	F	16	61
Bahrain	S	33	93	Boulogne	F	16	61	Copenhagen	R	10	50	Gibraltar	S	23	73	Johannesburg	F	26	79
Bangkok	R	27	82	Brussels	F	13	57	Corfu	S	27	81	Glasgow	F	12	55	Lima	–	–	–
Barcelona	R	17	64	Budapest	S	17	64	Dallas	S	18	65	Helsinki	C	7	46	Lisbon	F	29	[illegible]
[illegible]	–	–	–	Buenos Aires	F	25	77	Dublin	F	13	57	Hong Kong	–	–	–	London	C	16	61
Belfast	C	11	52	Cairo	S	30	86	Dubrovnik	S	25	77	Innsbruck	C	17	63	Los Angeles	S	17	64
Belgrade	[illegible]	23	73	Cape Town	S	22	72	Edinburgh	F	11	52	Inverness	C	11	52	Luxembourg	S	12	55

[illegible]

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Friday October 5 1990

INSIDE

Big losers in yo-yo Tokyo

This year's market turmoil in Tokyo has battered everything from speculators' favourites to highly respectable banks, household names to bargain buys. Companies have been severely punished for the market's indulgences — the habitual price ramping and the herd buying of stocks on a whim — and by fears that high interest rates will break firms with heavy borrowings. Robert Thomson looks at the year's big 10 losers on the Tokyo stock exchange. Page 31

KLM tumbles on profit warning

KLM, the Dutch flag carrier, saw its share price tumble 11 per cent yesterday after the airline issued a profits warning for 1990-1991. Sharply increasing fuel prices and insurance costs combined with unfavourable currency fluctuations could produce a "considerable loss" the airline said. The fall in KLM shares depressed prices generally on the Amsterdam Stock Exchange. Page 28

No smile for candid camera

Share prices on the Vancouver Stock Exchange have been in a steady decline since the 1987 crash. Now, adding insult to injury, the VSE's reputation is about to suffer further, this time on prime-time TV. An investigative report was scheduled last night on the brokers who specialise in the speculative penny stocks which have given Vancouver a name as the closest thing to a casino among North American stock exchanges. Bernard Simon reports. Page 32

Hillsdown to take 70% of Strong

Strong & Fisher, one of only two UK quoted leather companies, has been pulled back from the brink of receivership. A rescue package was announced yesterday which would give Hillsdown Holdings, one of the UK's largest abattoir operators, control of up to 70.5 per cent of Strong shares. Jane Fuller reports on the deal to save Strong. Page 34

Harvest of despair

The rain-sodden fields of the Borodino collective, 75 miles outside Moscow, are a fitting monument to the demise of Soviet agriculture. Peasants are forced to harvest their crops with bare hands, having no equipment capable of operating in the water-logged fields. They are waiting for emergency assistance from Moscow — for students or soldiers or workers or anybody — who might come to lend a hand to save the crops. Yet already it may be too late. Quentin Peel reports. Page 38

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	910	+	35
Porsche	777	+	32
Falls			
Allianz	2135	−	110
Bayer	213	−	5
Daimler	606	−	10
Deutsche	610.8	−	13

NEW YORK ($)

Rises			
Baxter Int	25½	+	1⅛
Citicorp	13⅞	+	¼
Falls			
Morris Phil	48	−	⅛
Tenneco	45¼	−	4¾
Unisys	3⅝	−	⅜
Waste Man	32⅛	−	1⅞

PARIS (FFr)

Rises			
CGE	531	+	6
Eurotunnel	44.5	+	1.5
Falls			
Peugeot	508	−	9
Societe Gen	360	−	23
Suez	268	−	9

TOKYO (Yen)

Rises			
Fudo	978	+	78
Iseman	843	+	100
Minebea	859	+	78
Falls			
Daiwa Sec	936	−	44
Godo Shusei	875	−	75
NTN Toyo	691	−	53

LONDON (Pence)

Rises			
Etam	72	+	12
Eurotunnel	440	+	15
Frogmore	255	+	6
Galliford	68	+	4
Heath (CE)	390	+	8
Laporte	474	+	11
Falls			
AB Elect	143	−	5
Barclays	337	−	9
Boots	289	−	9
Burton	58	−	6½
Dowty	178	−	6
Finlay (J)	57	−	13
Guinness	705	−	13
Jeyes	198	−	24
Jourdan (T)	33	−	5
Kingfisher	338	−	9
Kwik Save	443	−	7
Natwest	252	−	10
Northern Food	338	−	8
Reuters	732	−	82
Scot & New	341	−	7
UK Land	78	−	27
Willis Faber	212	−	5½

Allianz makes DM1.35bn rights issue

By Andrew Fisher in Frankfurt

ALLIANZ, the big German insurance group, is raising DM1.35bn ($871m) through a one-for-11 rights issue. This will help pay for its ambitious expansion in the US at a time when it is also investing heavily in eastern Germany.

The proceeds of the capital increase will go towards the $3.3bn purchase of Fireman's Fund of the US. The cash call comes at a time of weakness on Germany's stock market, reflecting concern over the Gulf crisis and the cost of German unification.

Mr Wolfgang Schieren, the Allianz chief executive, said at yesterday's annual meeting in Munich that Allianz had intended to raise money through a convertible bond, but had decided against this in view of the state of the market.

The rights issue, at the end of this month, will be priced at DM900 a share. This compares with yesterday's closing price of DM2,135, down by DM110 on the news of the capital call.

Analysts said the timing of the Allianz issue was unfortunate when the stock market was under such pressure. Also announced yesterday was a DM900m share flotation by the DBV insurance company.

Allianz had already said it would tap the market to raise money for the US acquisition, its biggest ever, which it hopes to complete at the start of 1991. But it had been put off its bond-with-warrants plan by the high coupon it would have had to offer at present rates.

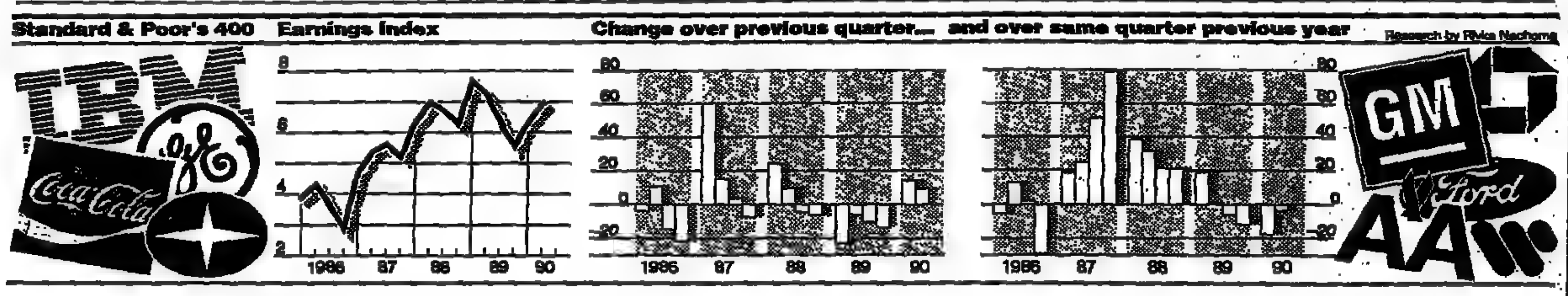
The rights issue is Allianz's second this year. It raised DM762m in March, with the shares priced at a deeply discounted DM500 against the market price then of around DM2,625. This issue, however, was partly a tax efficient bonus for shareholders.

As well as agreeing to buy Fireman's Fund, the group is moving into the former East Germany through its takeover of the state insurance monopoly, a move that will entail investment in the east of some DM2bn over the next five years. Allianz has also recently bought a large part of the insurance business of Navigation Mixte of France.

Turning to Allianz's trading performance, Mr Schieren said group premium income rose 15.4 per cent to DM19bn in the first half of 1990. Despite some negative influences both the parent company and the group should post satisfactory profits this year, he said. Allianz has said it expects group premium income to rise to DM39bn from DM31.8bn in 1989.

Mr Schieren said this year's spring storms and lower premiums from industrial insurance policies were expected to weigh on 1990 results. But the negative impact would be partly offset by a fall in industrial insurance damage claims and a boost in earnings as a result of higher interest rates.

DBV flotation details, Page 33



Wall Street braced for the big test

Martin Dickson and Nikki Tait preview forthcoming quarterly results from US industry

The prognosis is chilling enough, but the reality could be worse. Like a patient awaiting the result of an important X-ray, Wall Street is bracing itself for the start of the quarterly reporting season in mid-October.

Corporate America's figures for the third quarter — and, equally important, its indications of how the months ahead are shaping up — will be "critical", according to one New York research firm.

This is the first results season since the US economy took a nose-dive. At the end of the second quarter, growth was slowing but the economic indicators were still sufficiently mixed for companies and Wall Street analysts to retain a considerable degree of optimism about the medium-term outlook.

That, however, was before the Gulf crisis, which has sent oil prices soaring and both US share prices and growth forecasts plunging. Yet even without that, the statistics now suggest the US has been teetering on the brink of a recession for months.

Securities analysts have been cutting forecasts for 1990 and 1991 earnings growth since the start of August. The third-quarter results will give an indication of whether they are still being too optimistic, or have become too pessimistic. Some still argue that any recession is likely to be short and shallow. IBES, a research service of stockbroker Lynch, Jones & Ryan, says that since August, "top down" analysts, who look at the economy as a whole, have cut their forecasts of third-quarter earnings growth for the Standard & Poor's 500 by 3 per cent. They are now expecting on average a very slight decline from the figures reported in the second quarter.

For 1991, IBES says top down analysts are expecting earnings growth of just 4.9 per cent, while "bottom up" analysts — those who concentrate on individual sectors — are still hoping for almost 15 per cent growth.

S&P, the credit-rating agency, does not expect earnings to bottom out until the second quarter of 1991. It reckons that only 1,300 dividend increases will be recorded by the end of this year — down more than 20 per cent on 1989 — while dividend cuts and omissions will reach the highest level since 1982, the last recession year.

But all these averages mask huge differences between sectors and companies. Particularly poor results this quarter can be expected from the financial services industry, cars and the airlines, with wide disparities in computers and high technology. Food and drink manufacturers — particularly those with international operations — should show more solid advances. Coca-Cola, the soft drinks group and one of the fastest-growing drinks companies, said this week it expected its third-quarter figures to be "excellent".

New York's money centre banks, battered by problem loans in the property sector and to highly leveraged companies, will produce particularly poor figures showing that the past few months have seen a continued deterioration in property values. Chase Manhattan announced recently that it would lose $625m after tax in the quarter, due partly to the further deterioration in property and partly to a large restructuring. It is also cutting its dividend.

Results from other money centre banks may not be so dreadful, but several remain vulnerable to dividend cuts over the coming months.

There is little cheer to be had in the general insurance sector, with few analysts talking of a significant turn in the underwriting cycle, volatile financial markets and worries persisting about the quality of insurers' assets. Most pundits are not looking for any real earnings improvement before 1992, although the point is often made that fortunes may be particularly varied in this industry. That said, the third quarter is expected to show some superficially large advances because it compares with a period hit by heavy disaster losses a year earlier. "You could see companies coming through with 20 per cent gains in earnings per share, but that will be very misleading," comments Ernie Jacobs at Barclays de Zoete Wedd.

Airlines, plagued with overcapacity ahead of the Middle East crisis, have been devastated by the rise in oil prices. Fuel, after all, comprises the industry's second-largest cost after labour.

Airline Economics, the east coast consultancy, was predicting 1990 profits of about $500m for the industry overall ahead of the Kuwait invasion. Now it is talking of a loss of about $1.5bn, with little prospect at present of the figure improving in 1991. Mr Bob Crandall, the hard-driving boss of American Airlines, the nation's largest carrier, summed up the situation well when he described the outlook for the figures for the second-half of 1990 as "stinko".

The motor industry will also be hit by a slowing economy and rising fuel prices, although with sales proving relatively resilient over the past two months, the full effect may only be felt in the final quarter. Manufacturers' latest production plans suggest a near 7 per cent drop in output this year, compared to 1979 — a bigger drop than the 5 per cent foreseen in July.

Moreover, concern with fuel economy may push buyers towards Japanese companies, which are eating more and more from the market share of the American Big Three car makers.

Detroit's profits are also being savaged in the US market by price discounting. Analysts are expecting earnings drops at each of the Big Three, with Chrysler going into losses because of one-time changes in production of its most profitable model.

Diminishing consumer confidence will be reflected most clearly in results from the big retailers. Analysts are expecting some profits growth among the "general merchandise" chains, such as Wal-Mart and Sears, Roebuck. But over the past six months Wall Street has scaled back the forecast rise in third-quarter earnings growth from double-figures to well below 10 per cent.

The picture for the full year remains more hazy given the uncertainty over the Gulf and domestic interest rates. A percentage rise in single figures is the consensus, and no one is optimistic. "I know it's going to be bad," comments Mr Monroe Greenstein at Bear Stearns; "but I haven't yet made up my mind how bad."

Bass plans to invest $1bn in Holiday Inn hotel chain

By Philip Rawstorne

BASS, the UK's leading brewer, yesterday announced that it is to invest $1bn over the next three years in Holiday Inn, the worldwide hotel chain which it took over earlier this year.

Mr Ian Prosser, Bass's chairman, speaking at a conference of Holiday Inn franchisees in New York, said: "The Holiday Inn worldwide business offers significant long-term profit potential which we are determined to capture."

A further $17.5m would be spent over the next two years in additional marketing support for the Holiday Inn brand and franchisees, Mr Prosser said.

More than half the $1bn investment programme will be concentrated in the US. Bass said yesterday that the programme would be mainly financed from the company's own resources but some overseas borrowings might be needed.

Mr Prosser emphasised that the plans for the hotel business would not affect investment funds for the rest of the company's activities. "Investment will continue in Bass's traditional core businesses of brewing, pub retailing, soft drinks and leisure, which all have significant opportunities to grow," he said.

Bass completed its acquisition of the Holiday Inn worldwide chain — comprising some 1,600 hotels in 51 countries — with the purchase in February of the North American operations for almost $2bn.

It later sold its UK chain of Crest hotels to Trusthouse Forte for £300m ($570m) to concentrate on the Holiday Inn business.

In the US, the focus will be on the development of Holiday Inn Express — "value for money" hotels catering for business and leisure travellers. In Europe, Holiday Inn Garden Court has already begun to offer similar accommodation. Seven units are in operation and Bass plans another 140 over the next five years.

At the upper end of the market, Bass intends to push ahead with the development of Holiday Inn Crowne Plaza hotels, designed for key business areas in leading cities.

Bass is also building a resort hotel in the Virgin Islands and another is planned for Portugal.

The company told UK analysts recently that during the next three to five years, it aimed to add some 50,000 rooms to bring the chain's global total to 365,000.

PJ Carroll board welcomes Rothmans takeover offer

By Maggie Urry in London

ROTHMANS International, the tobacco and luxury goods group, is bidding for the 61.3 per cent of P J Carroll, the Irish cigarette company, which it does not own. The cash bid values Carroll at I£119m ($206m) and is being recommended by the board.

Rothmans said yesterday that it had decided to bid now because of changes taking place in the European tobacco industry. "With the single market coming, it is important to integrate, consolidate and co-ordinate all our tobacco operations in Europe," it said.

The offer is of I£1.60 per ordinary share, a premium of 28 per cent to the closing price on Wednesday, and I£1 for each preference share. The share price jumped on the news, with the ordinary shares closing in London at 143p, up 31p.

Analysts had been forecasting profits for Carroll in the current year of about I£9m pre-tax and the offer gives a prospective exit multiple of about 14.5. Carroll and its adviser, the Investment Bank of Ireland, said the offer was "fair and reasonable and in the best interest of shareholders".

Rothmans, which is being advised by S.G. Warburg, has had a stake in Carroll since 1960 and has two seats on the board.

It said it planned to develop Carroll's tobacco brands and stressed it would continue to manufacture cigarettes at the Dundalk, Co Louth, factory. Carroll said it felt that its prospects would be enhanced by being a full member of the Rothmans group.

During the 1980s, Carroll diversified from its tobacco business, first into pharmaceuticals, printing and packaging — businesses which were later sold — and then into direct mail order in the US and salmon farming in Ireland.

However, investment of I£55m in the latter two areas proved to be a mistake, and sizeable losses were incurred. Meanwhile, the tobacco business was losing its share of a declining market — from 56 per cent in 1984 to about 44 per cent in 1990.

By the year-end, Carroll's net assets were cut to I£23.6m, and there is a substantial element of goodwill in the price Rothmans is paying.

Rothmans is controlled by Richemont, the Swiss-based vehicle of the South African Rupert family.

Crédit Lyonnais profits up 33%

By George Graham in London

CREDIT LYONNAIS, the French state-owned bank, has reported a 33 per cent increase in first-half net profits to FFr1.82bn ($352m), with a strong rise in banking activities and a positive contribution from its new acquisitions.

Mr Jean-Yves Haberer, Crédit Lyonnais's chairman, said that the bank's total loan base rose by 10 per cent to FFr617bn, with corporate loans up 15 per cent to FFr211bn.

Worldwide, the bank's gross lending margin showed a slight improvement in the first half to 3.69 per cent, but in France the margin deteriorated to an average of 4.61 per cent, compared with 4.92 per cent a year earlier.

Gross operating income increased by 12 per cent to FFr5.81bn, with Altus Finance, the treasury bank acquired by Crédit Lyonnais at the beginning of the year from the Thomson electronics group, contributing FFr930m.

Earnings per share rose by 7 per cent to FFr56.10, in spite of a 24 per cent increase in the number of shares in issue following the sale of new equity to the Caisse des Dépôts, the state financial institution, and an issue of shares to Thomson to pay for Altus.

Crédit Lyonnais reduced its level of new provisions for bad risks, however, to FFr2.75bn, compared with FFr3.38bn a year earlier.

Mr Haberer said that the bank had increased its rate of cover on country loan risks to 58 per cent, close to the limit of 60 per cent at which new provisions would cease to be tax-deductible. This required new country risk provisions in the first half totalling FFr1.13bn, compared with FFr2.64bn in the same period of 1989.

Client risk provisions, on the other hand, were tripled to FFr1.21bn. Mr Haberer said that this reflected a rising level of difficulties experienced with both corporate and individual customers.

Crédit Lyonnais's results present a rosier picture of the French banking market than those published in recent weeks by its competitors, especially Société Générale, which a day earlier had announced a 17 per cent drop in net profits.

"The charm of the universal bank is that you are present in all compartments of banking and financial activity. Events that are damaging in one compartment are often compensated in another," commented Mr Haberer.

BA chief pledges to fight for German market share

By David Buchan in Brussels

BRITISH AIRWAYS yesterday signalled its determination to try to stay in the lucrative German market, despite the announcement yesterday that national airlines of the wartime allies would lose their intra-German routes to Berlin by 1993.

Sir Colin Marshall, chief executive, said his airline, which keeps 700 people and 10 aircraft busy plying between various cities of the former West Germany and Berlin, had "established a considerable customer base and investment" over the past 40 years.

He hoped that continuing discussions with the German authorities "will allow us to continue our service and compete head to head with Lufthansa", the German carrier whose service to Berlin has only just started with this week's dissolution of allied control over that city.

Sir Colin noted that coincidentally full liberalisation of the EC air market is supposed to start in 1993.

BA has already complained to the European Commission that Lufthansa's planned purchase of 26 per cent of Interflug, the former east German state carrier, will further solidify its domination of the German market.

Sir Colin Marshall: seeks head to head competition

However, on another regulatory issue, BA is pitted against the Commission which has expressed concern that the 20 per cent stakes held by BA and KLM in Sabena World Airlines (SWA) will restrict competition.

Speaking on the eve of a BA board meeting held in the Belgian capital, Sir Colin took a hard line, saying that any concessions over ceding slots to third parties at Brussels' Zaventem airport would be for Sabena to make, not a minority shareholder like BA.

"It would be illogical for BA to give away something it has 100 per cent of to protect a 20 per cent stake, he said.

Sir Colin called on the Commission to follow the UK Monopolies and Mergers Commission (MMC) in approving the BA link-up with Sabena.

The Gulf crisis meant that BA at the end of September was paying three times for fuel what it was paying two months earlier before the Iraqi invasion of Kuwait. Certain fare increases last week were "nowhere near enough" to cover this, though Sir Colin recognised that fares could not be jacked up overnight.

KLM shares plunge as profit drop is forecast

By Our Financial Staff

SHARES in KLM, the Dutch flag carrier, plunged by 11 per cent yesterday after the airline said sharply increasing fuel prices and insurance costs combined with unfavourable currency fluctuations could produce a "considerable loss" in 1990-91.

The shares fell Fl 2.60 to Fl 21.20, a low for the year and half their peak for the year. The fall depressed share prices generally on the Amsterdam Stock Exchange.

In the 1989-90 year ended March 31, KLM posted a net profit of Fl 340m ($200m). However, along with several other European airlines, KLM has been hit by rising costs and exchange rate movements.

KLM's management said although the second quarter of 1990-91 would be positive, it would be below last year's profit of Fl 162.3m. The company is to give full results for the period from July to end-September on November 1.

In August, KLM reported a sharp drop in first-quarter net profits to Fl 41.4m from Fl 230.1m in the same period a year ago. The company said at the time results would remain under pressure because of exchange rate developments and the costs of air congestion.

Yesterday, Mr Leo Scholten, analyst at brokerage Nachenius Dudok van Heel, said: "We had already reckoned with something like this as oil prices have gone so high. KLM will not be an isolated case among airlines."

KLM has joined British Airways in taking a 20 per cent each of the newly-formed Sabena World Airlines, part of Belgium's Sabena group, in a tie-up being examined by the European Commission.

Banks strike accord

RABOBANK Nederland, the Dutch co-operative bank, said it had forged a "strategic alliance" with France's Caisse Nationale de Crédit Agricole, AP-DJ reports.

Hanson announces disposal of Tucker Housewares for $185m

By Martin Dickson in New York and John Thornhill in London

HANSON, the Anglo-American industrial conglomerate, is continuing to dispose of businesses it took on when it bought Kidde, as it announced yesterday it had sold Tucker Housewares for $185m in cash.

Hanson has now realised $718m from selling assets formerly belonging to Kidde. Three years ago Hanson bought the US conglomerate for $1.6bn.

In New York, Hason said it had sold Tucker because it had been presented with an offer which it felt was in the best interests of shareholders.

Tucker, which is based in Massachusetts, is the second largest manufacturer of plastic houseware goods in the US, It is to be bought by Mobil Corporation and will fit in well with the oil company's plastics division.

Mobil said it had initiated discussions with Hanson early this year and the addition of Tucker products positioned the company as a leading manufacturer of injection moulded products.

Mobil is a market leader in film extrusion household products – such as grocery sacks and rubbish bags – and entered the durable plastic housewares market last year with products such as waste baskets and drinks pitchers. It said the addition of Tucker would significantly strengthen its position in this market and broaden the scope of its products.

In the year to September 30 1989, Tucker made pre-tax profits of $13m on sales of $117.8m. Its net asset value is about $65m. In the six months to March 31 Tucker increased its taxable profits to $8.2m on sales of $60m.

Oce-Van der Grinten down 9%

By Our Financial Staff

OCE-VAN der Grinten, the Dutch copier and business systems maker, said its net profit in the third quarter ended August 31 fell 9.3 per cent to Fl 17.6m ($10.3m) from Fl 19.4m in the year-earlier period.

For the first nine months, Oce posted a net profit of Fl 60.6m, only slightly higher than the Fl 60.3m net profit it had in the first nine months a year ago. Oce attributed the latest decline to unfavourable exchange rate movements and to start-up costs associated with the offering of new generation machines.

In spite of the lower profits, Oce said it would match its 1989 net profits of Fl 84.7m, because of "the good reception" of its new products. The recently introduced Oce-2400, a high-volume copier machine, is expected to boost sales from the fourth quarter onwards.

Third-quarter turnover rose 2.5 per cent to Fl 549.1m from Fl 535.6m a year ago. For the first nine months of the year, turnover amounted to Fl 1.7bn, up 11.9 per cent from the year-earlier level of Fl 1.52bn.

The company is paying an unchanged interim dividend of Fl 0.90.

Storebrand hit by lower income on investments

By Karen Fossli in Oslo

STOREBRAND, one of Norway's top three insurance companies, saw net profits before extraordinary items and allocations fall to NKr614m ($102.3m) from NKr670m in the first eight months of this year.

Storebrand, which is to merge with UNI Forsikring, another of Norway's top three insurance company, said lower investment income in the second four-month period of the year meant profits were weaker, at NKr208m, than in the first four months, when they reached NKr406m.

Non-life insurance business, domestic and international, slipped to NKr672m from NKr764m in the eight-month period. Storebrand attributed this to high claims after a number of natural catastrophes and, again, lower investment income. Investment income fell by NKr100m to NKr705m.

Storebrand Finans, the group's finance arm which is being wound down, reduced losses to Nkr49m from NKr160m last year. The group (excluding Storebrand Liv) saw its realised capital gains slide by NKr164m to NKr138m, while unrealised gains on securities plunged by NKr141m to NKr59m.

Operating profit for group life insurance business fell slightly to NKr1.07bn. Realised gains on securities dipped to NKr294m from NKr382m, while unrealised gains fell by NKr133m to NKr465m.

UNI Forsikring, meanwhile, reported a rise in operating income to NKr6.79bn from NKr6.46bn last year. Profit for UNI Skade (damage) was up to NKr321m from NKr292, while its solvency margin (solvency capital expressed as a percentage of premium for own account) rose from 46 to 54 per cent.

Group financial income rose by NKr14m to NKr2.94bn, after premium fund allocations. Earnings on sales of securities hit NKr523m.

UNI Liv premiums were up 13 per cent to NKr1.61bn in the eight-month period.

However, UNI's international business reported a loss of NKr70m.

Capital markets lift Mediobanca by nearly 43%

MEDIOBANCA, the leading Italian merchant bank, raised net profits by almost 43 per cent to L232.1bn (US$200m) in the financial year ended June 30 from L162.4bn in 1988-89, writes Haig Simonian in Milan.

Accruals and depreciations on its portfolio amounted to L93.1bn against L87.2bn in 1988-89, while funds at the bank's disposal rose by 21.8 per cent to L15,660bn.

The earnings increase largely reflects its excellent performance in capital market activities in the first months of the 1989-90 financial year.

The current year may prove considerably harder going. Although corporate lending is likely to continue rising strongly, Mediobanca's corporate finance team will be pushed to repeat such vintage earnings, analysts say.

The bank is paying an unaltered dividend of L200 a share.

UBF blames higher interest rates for fall

By Enrique Tessieri in Helsinki

UNION BANK of Finland (UBF), one of the country's two largest commercial banks, yesterday announced a sharp drop in its pre-tax profits for the first eight months of this year to FM465m ($126.3m) from FM904m a year earlier.

Mr Ahti Hirvonen, chairman, blamed high Helsinki interbank offered rates (Helibor), as well as on the weakening performance of the national economy. He also expressed the need for Finnish banks to forge closer co-operation with insurance companies to continue to lower overheads.

"We are going through some serious restructuring (to increase profitability and bring overheads down). We have closed down 100 branch offices and dismissed around 1,000 people during the past 15 to 18 months," said Mr Björn Wahlroos, deputy chief general manager. He said that credit losses at all Finnish banks would increase in 1990 from the FM1.8bn notched up last year.

Consolidated credit write-offs for UBF during the January-August period grew to FM364m from FM281m. Credit losses for the bank for 1990 are expected to remain at last year's level of FM641m, UBF sources estimated.

Income from financing operations fell by 6 per cent to FM1.67bn. Group funding suffered a 3 per cent drop to FM4.16bn.

Consolidated return on equity took a sharp drop to 3.2 per cent from 10.5 per cent, and return on assets was 0.24 per cent, against 0.79 per cent a year ago. Earnings per share for the group plunged to FM0.73 from FM2.40.

Dividend unchanged as Adia posts SFr64m net

By William Dullforce in Geneva

ADIA SA, the holding company for the Swiss services group, yesterday posted net earnings of SFr64.5m ($50.1m) for the year ending June 30. The board proposes to pay a dividend of SFr27.50 per bearer share and SFr5.50 per participation certificate.

This, it said, amounted to an unchanged dividend after taking into account the share split and capital increase effected last year when Adia merged its employment agency with Inspectorate, the quality control and computer leasing company.

Consolidated earnings for the 1990 calendar year were expected to be slightly lower than the SFr201m posted last year – which in turn was well below the SFr240m-SFr250m range Adia had projected for 1989 at the time of the merger.

The economic slowdown in markets such as the UK and the US was reducing demand for personnel recruitment and temporary help services. However, Adia said it was continuing to invest in markets with promise, such as temporary help in Germany, and inspection and security services.

The programme for restructuring the European computer leasing services, which made a net loss of SFr29m last year, was showing encouraging results.

At the first-half stage, Adia reported a 12 per cent increase to SFr3.1bn in group revenues and said the European computer business had shown a small profit.

Oerlikon sees SFr70m loss this year

OERLIKON-BUHRLE Holding, the Swiss diversified industrial and consumer products group, has forecast a group operating loss for 1990 of around SFr70m, AP-DJ reports.

It also predicted that its group sales growth for the year could be held to less than 10 per cent because some arms deliveries must be held up due to the Gulf crisis. In the first eight months of the year group sales rose 17 per cent to SFr2.9bn.

For all 1989, Oerlikon had a SFr42m loss on group sales of SFr4.75bn. The company, which recently changed top management, said it intends to complete its ongoing restructuring as soon as possible.

Oerlikon has long had troubles with its military sector and certain industrial operations.

Gold Mining Companies' Quarterly Reports for the quarter ended 30 September 1990

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 30 September 1990	*Quarter ended 30 June 1990*
OPERATING RESULTS		
Gold – East Driefontein		
Ore milled (t)	695 000	*720 000*
Gold produced (kg)	5 685,2	*6 026,0*
Yield (g/t)	8,1	*8,4*
Price received (R/kg)	31 754	*31 482*
Revenue (R/t milled)	256,41	*263,84*
Cost (R/t milled)	159,79	*144,05*
Profit (R/t milled)	96,62	*119,79*
Revenue (R000)	178 205	*189 965*
Cost (R000)	111 051	*103 716*
Profit (R000)	67 154	*86 249*
Gold – West Driefontein		
Ore milled (t)	705 000	*705 000*
Gold produced (kg)	7 234,0	*6 622,4*
Yield (g/t)	10,3	*9,4*
Price received (R/kg)	31 745	*31 315*
Revenue (R/t milled)	326,18	*294,59*
Cost (R/t milled)	172,29	*171,00*
Profit (R/t milled)	153,89	*123,59*
Revenue (R000)	229 957	*207 686*
Cost (R000)	121 463	*120 552*
Profit (R000)	108 494	*87 134*
Reclamation plant — West Driefontein		
Treated (t)	600 000	*600 000*
Gold produced (kg)	454,5	*328,7*
Yield (g/t)	0,8	*0,5*
Revenue (R000)	14 527	*10 325*
Cost (R000)	3 670	*3 542*
Profit (R000)	10 857	*6 783*
FINANCIAL RESULTS (R000)		
Working profit: Gold and reclamation plant	186 505	*180 166*
Tribute royalties	1 646	*1 430*
Net mining revenue	188 151	*181 596*
Net sundry revenue (group)	13 403	*13 747*
Recovery under loss of profits insurance	1 196	—
Profit before tax and State's share of profit	202 750	*195 343*
Tax and State's share of profit	94 410	*61 870*
Profit after tax and State's share of profit	108 340	*133 473*
Capital expenditure	45 124	*31 514*
Dividend	—	*163 200*

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1990 was R844,5 million.

DIVIDEND. A dividend (No. 54) of 80 cents per share was declared on 12 June 1990, and was paid to members on 8 August 1990.

EAST DRIEFONTEIN

Production

Both the tonnage and the grade of the ore milled during the quarter were adversely affected by a rock hoist problem at the No. 2 Shaft-E. This was rectified shortly after it was reported early in August.

No. 5 Sub-Vertical Shaft-E. The installation of the rock and second man winders is complete as is the stripping of sinking equipment in the shaft and headgear.

No. 1 Tertiary Shaft-E. The sloping of the headgear portion of this shaft was completed and support and lining of the excavation continues.

No. 7 Ventilation Shaft-E. Site preparation for this shaft which will serve the No. 5 Shaft-E area commenced.

WEST DRIEFONTEIN

No. 9 Sub-Vertical Shaft-W. The excavation on 21 Level of the rock and south man winder chambers continues while that of the north man winder chamber is approaching completion. The raise boring of rock passes between 21 and 23 Levels progressed well and the excavation of the headgear dome on 21 Level commenced.

On 22 Level civil work for the installation of the kibble and platform winders is in progress.

Development on 23 Level towards the site of the No. 9 Shaft-W continues.

On behalf of the board

C. T. Fenton
A. H. Munro } *Directors*

4 October 1990

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 30 September 1990	*Quarter ended 30 June 1990*
OPERATING RESULTS		
Gold		
Ore milled (t)	540 000	*540 000*
Gold produced (kg)	6 691,3	*6 276,5*
Yield (g/t)	12,4	*11,6*
Price received (R/kg)	31 765	*31 411*
Revenue (R/t milled)	394,26	*365,64*
Cost (R/t milled)	215,30	*214,20*
Profit (R/t milled)	178,96	*151,44*
Revenue (R000)	212 899	*197 445*
Cost (R000)	116 263	*115 670*
Profit (R000)	96 636	*81 775*
FINANCIAL RESULTS (R000)		
Working profit: Gold	96 636	*81 775*
Net sundry revenue	1 275	*6 085*
Profit before tax and State's share of profit	97 911	*87 860*
Tax and State's share of profit	566	*(27 814)*
Profit after tax and State's share of profit	97 345	*115 674*
Capital expenditure	130 761	*135 749*
Dividend	—	*54 495*

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 30 September 1990 was R741,6 million.

(b) Included in the total of capital expenditure for the quarter ended 30 September 1990 is an amount of R89,0 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 41) of 45 cents per share was declared on 12 June 1990, and was paid to members on 8 August 1990.

KLOOF

No. 4 Sub-Vertical Shaft-K. The excavation of the intermediate pump chamber was completed and sinking recommenced during August 1990. The shaft was sunk 49 metres to a depth of 803 metres below the collar on 23 Level.

No. 4 Sub-Vertical Ventilation Hole-K. The ventilation hole has been reamed to a diameter of 4,4 metres over a total length of 565 metres.

LEEUDOORN

No. 1 Sub-Vertical Shaft-L. The changeover to underground hoisting arrangements was completed and sinking recommenced in July 1990. The shaft was sunk to a depth of 444 metres below the collar on 25 Level and the 29 Level Station established.

Preparation for Production

Metallurgical Plant. All major construction work at the plant was completed. Commissioning was started by loading the systems and testing the equipment with either water or waste rock.

Underground. The preparation for stoping on the VCR in the 67 Longwall and three other mines continues. The ore produced was stockpiled on surface.

On behalf of the board

A. H. Munro
M. J. Tagg } *Directors*

4 October 1990

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05632/06)

ISSUED CAPITAL: 20 200 000 *ordinary shares of 25 cents each, fully paid.*
29 800 000 deferred shares of 25 cents each, fully paid.

	Quarter ended 30 September 1990	*Quarter ended 30 June 1990*
OPERATING RESULTS		
Gold		
Ore milled (t)	390 000	*390 000*
Gold produced (kg)	1 369,3	*1 376,6*
Yield (g/t)	3,5	*3,5*
Price received (R/kg)	31 732	*31 575*
Revenue (R/t milled)	111,61	*111,56*
Cost (R/t milled)	135,91	*134,96*
Loss (R/t milled)	(24,30)	*(23,40)*
Revenue (R000)	43 530	*43 507*
Cost (R000)	53 006	*52 633*
Loss (R000)	(9 476)	*(9 126)*
FINANCIAL RESULTS (R000)		
Working loss: Gold	(9 476)	*(9 126)*
Net sundry revenue	4 939	*6 359*
Recovery under loss of profits insurance	155	*250*
Loss before tax	(4 382)	*(2 517)*
Tax	—	*(1 764)*
Loss after tax	(4 382)	*(753)*
Capital expenditure		
Existing mine	616	*1 851*
No. 4 Shaft Project	10 512	*11 545*

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1990 was R162,8 million.

DIVIDEND. No final dividend was declared.

No. 4 SHAFT COMPLEX. The shaft was sunk 158 metres to a depth of 778 metres below collar. The cutting of the 7 and 8 Level stations and the associated development was completed. 9 Level station has been cut and the associated development is in progress. The 10 Level haulage advanced 557 metres to a total of 3 025 metres and is now 90 per cent complete, while the 24 Level haulage advanced 285 metres to a total of 796 metres and is now 25 per cent complete.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 October 1990

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 30 September 1990	*Quarter ended 30 June 1990*
OPERATING RESULTS		
Gold - Surface sources		
Ore milled:		
from surface dumps (t)	29 500	*77 859*
from outside sources (t)	—	*16 141*
Total milled (t)	29 500	*94 000*
Gold produced (kg)	73,0	*112,0*
Yield (g/t)	2,5	*1,2*
Price received (R/kg)	31 654	*32 891*
Revenue (R/t milled)	78,51	*39,19*
Cost (R/t milled)	94,14	*35,71*
Profit/(loss) (R/t milled)	(15,63)	*3,48*
Revenue (R000)	2 316	*3 684*
Cost (R000)	2 777	*3 357*
Profit/(loss) (R000)	(461)	*327*
FINANCIAL RESULTS (R000)		
Working profit/(loss): Gold	(461)	*327*
Net sundry revenue	250	*67*
Profit/(loss) before tax	(211)	*394*
Tax	—	*211*
Profit/(loss) after tax	(211)	*183*
Capital expenditure	(195)	*(241)*

DIVIDEND. No final dividend was declared.

PRODUCTION. Since the beginning of the quarter gold has been recovered only through the clean-up process of gold locked-up in and around the plant. This process should be completed before the end of the year.

RESTORATION. The restoration of the surface was started.

SALE OF ASSETS. The Droogebult mining title and tribute agreement have been transferred to Nigel Gold Mining Company Limited ("Nigel") and in terms of the agreement with Nigel, Vlakfontein has received the 32 million Nigel shares. The sale of the other assets will contribute to the repayment of the bank overdraft and a decision is still to be taken on the disposal of the Nigel shares.

Tenders for the sale of the slimes dams have been received and are in the process of being evaluated. A third party continues to express interest in purchasing the freehold but no offer has been received.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 October 1990

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/08581/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 30 September 1990	*Quarter ended 30 June 1990*
OPERATING RESULTS		
Gold		
Ore milled (t)	435 000	*425 000*
Gold produced (kg)	2 047,2	*1 757,7*
Yield (g/t)	4,7	*4,1*
Price received (R/kg)	31 841	*31 444*
Revenue (R/t milled)	150,08	*130,17*
Cost (R/t milled)	142,04	*143,25*
Profit/(loss) (R/t milled)	8,04	*(13,08)*
Revenue (R000)	65 287	*55 323*
Cost (R000)	61 789	*60 881*
Profit/(loss) (R000)	3 498	*(5 558)*
FINANCIAL RESULTS (R000)		
Working profit/(loss): Gold	3 498	*(5 558)*
Net sundry revenue	874	*980*
Recovery under loss of profits insurance	630	*5 000*
Profit before tax	5 002	*422*
Tax	701	*3 045*
Profit/(loss) after tax	4 301	*(2 623)*
Capital expenditure	2 388	*4 786*
Dividend	—	—

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1990 was R65,8 million.

DIVIDEND. No final dividend was declared.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 October 1990

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 30 September 1990	*Quarter ended 30 June 1990*
OPERATING RESULTS		
Gold		
Ore milled (t)	390 000	*390 000*
Gold produced (kg)	2 012,2	*1 998,0*
Yield (g/t)	5,2	*5,1*
Price received (R/kg)	31 725	*31 396*
Revenue (R/t milled)	163,87	*161,07*
Cost (R/t milled)	183,08	*168,87*
Loss (R/t milled)	(19,21)	*(7,80)*
Revenue (R000)	63 909	*62 818*
Cost (R000)	71 401	*65 860*
Loss (R000)	(7 492)	*(3 042)*
FINANCIAL RESULTS (R000)		
Working loss: Gold	(7 492)	*(3 042)*
Net sundry revenue	701	*1 310*
Loss before tax	(6 791)	*(1 732)*
Tax	—	*730*
Loss after tax	(6 791)	*(2 452)*
Capital expenditure	5 915	*10 528*

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1990 was R77,2 million.

DIVIDEND. No final dividend was declared.

On behalf of the board

M. J. Tagg
A. H. Munro } *Directors*

4 October 1990

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 30 September 1990	*Quarter ended 30 June 1990*
OPERATING RESULTS		
Gold		
Ore milled (t)	405 000	*405 000*
Gold produced (kg)	2 308,5	*2 390,3*
Yield (g/t)	5,7	*5,9*
Price received (R/kg)	31 691	*31 614*
Revenue (R/t milled)	180,83	*186,87*
Cost (R/t milled)	145,65	*129,10*
Profit (R/t milled)	35,18	*57,77*
Revenue (R000)	73 237	*75 683*
Cost (R000)	58 991	*52 287*
Profit (R000)	14 246	*23 396*
FINANCIAL RESULTS (R000)		
Working profit: Gold	14 246	*23 396*
Net sundry revenue	3 188	*4 858*
Profit before tax and State's share of profit	17 434	*28 254*
Tax and State's share of profit	1 596	*(287)*
Profit after tax and State's share of profit	15 838	*28 541*
Capital expenditure	20 540	*22 789*
Dividend	—	*34 839*

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 30 September 1990 was R267,4 million.

DIVIDEND. A dividend (No. 15) of 35 cents per share was declared on 12 June 1990, and was paid to members on 8 August 1990.

No. 3 SHAFT. The shaft was sunk 218 metres to a depth of 1 106 metres below collar.

No. 3 SUB-VERTICAL SHAFT. Excavation of the two man winder chambers, the rock winder chamber and the headgear dome is continuing.

On behalf of the board

A. H. Munro
M. J. Tagg } *Directors*

4 October 1990

GOLD FIELDS
OF SOUTH AFRICA LIMITED

Note:
Copies may be obtained from the United Kingdom Registrar:
Barclays Registrars Limited,
6 Greencoat Place,
London, SW1P 1PL

GFSA mines increase gold production and lift revenue

By Philip Gawith in Johannesburg

GOOD performances from the West Driefontein, Kloof and Libanon mines saw overall gold production and revenue increase at mines affiliated to Gold Fields of South Africa (GFSA) during the quarter to end-September.

The seven mines in the group lifted their gold production by 780kg to 27,341kg from the previous quarter. Total gold revenues were 4 per cent higher at R869.34m ($339.5m) on the back of a largely unchanged gold price of R31,752 per kg. These increases were partially offset by a 6 per cent increase in working costs per ton of ore milled, from R156.71 to R166.25.

Mr Alan Munro, general manager of GFSA's gold operations, said this reflected "creditable control of costs given that the full effect of the recently granted salary and wage increases were felt in the quarter under review."

Approximately half a mine's working costs came from labour so the recent average rise in wages of about 15 per cent should alone account for a rise of 7 per cent in working costs for the quarter.

Speaking generally about GFSA's labour position, Mr Munro said they were trying "by all means possible, other than retrenchment, to reduce our labour force" but added "in some of our areas drastic action is becoming increasingly likely."

He did note that unlike some other groups, there was a good chance that GFSA could offer alternative employment within the group through the Northam platinum mine and the Leeudoorn extension to Kloof, both of which were steadily expanding their labour complements.

At Driefontein Consolidated, the disappointing problems at East Driefontein, caused by problems with a rock-winder, were offset by West Driefontein which lifted profits substantially. Costs were well held and yield increased markedly from 9.4g/t to 10.3g/t.

Kloof, which along with Driefontein is one of the richest mines in the industry, improved its performance considerably with working profit up from R81.8m to R96.6m. The yield was well up at 12.4g/t from 11.6g/t.

Mr Munro said this was in accordance with policy of deliberately withdrawing from areas of lower brice payability. About two-thirds of the R131m capital expenditure bill was spent on the new Leeudoorn mine which should come into production in the first quarter of next year.

The other mine to perform well in the group was Libanon. A R5.6m working loss in the previous quarter was turned into a R3.5m profit through very tight cost control and a large increase in the yield from 4.1g/t to 4.7g/t.

Doornfontein and Deelkraal were the two laggards with the former posting a R7.5m working loss and the latter seeing working profit drop from R23.4m to R14.3m.

Intel in new action against AMD

By Louise Kehoe

INTEL has filed another lawsuit against Advanced Micro Devices in the continuing battle between the two Silicon Valley semiconductor manufacturers over microprocessor product rights.

A decision in a three-year-old dispute between the two companies over product licensing rights is expected imminently. They are also engaged in a suit over AMD's rights to use Intel's microprocessor microcode, the internal software that controls the functions of a microprocessor.

In its latest action, Intel has charged AMD with infringing its trademarked 386 product designation which is one of Intel's most popular microprocessors.

AMD is widely expected to introduce a clone of the Intel 386 this month, but the company declined to confirm or deny its product plans.

According to Intel, a document describing the new AMD 386 clone was "mistakenly delivered to an Intel employee at a hotel". Intel has been seeking information about reports that AMD will soon launch the 386 clone.

"On those documents, AMD designated their imitation 386 as an AM386 and claimed that designation as an AMD trademark. This is clearly an infringement of Intel's trademark for its 386 microprocessor," said Mr Thomas Dunlap, Intel General Counsel.

Intel has filed for a temporary restraining order and a preliminary injunction to prevent the use of Intel's 386 numeric designation in an AMD product. The effect of any such orders would be to at least delay AMD's introduction of the microprocessor clone.

An AMD official said: "We dispute that Intel owns the exclusive right to use the designation 386. They raised the same issue in the 287 case and lost. This is a desperation gambit by Intel."

A judge recently ruled AMD could use the numerical designation of another microprocessor-type chip compatible with one of Intel's products.

Black & Decker to sell Emhart units

BLACK & Decker, the US power tools and hardware group, is to sell four of its Emhart businesses and has signed contracts to sell properties in the UK and France as a result of consolidations from the Emhart acquisition, Reuters reports.

Net proceeds are expected to be about $150m, which will be used to trim acquisition debt. The company said it expected all of the transactions to close by November 30. Black & Decker bought Emhart plumbing equipment and carpentry business for $2.8bn in 1989.

The businesses are True Temper hardware, to be sold to Huffy Corporation of the US; GardenAmerica, to a US unit of a Australia's James Hardie Industries; Medic, the medical computer systems unit of Planning Research Corporation, to be sold to a management-led buy-out group and the domestic capacitors arm, to be sold to Yosemite Investment.

Sematech appoints new president

By Louise Kehoe in San Francisco

SEMATECH, the US government-backed semiconductor research consortium, has named a former computer industry research director as its new president and chief executive.

Dr William Spencer, formerly a group vice-president in charge of research at Xerox, replaces the late Dr Robert Noyce, co-inventor of the microchip, who headed the consortium from its formation in July 1988 until his sudden death last June.

Sematech represents an unprecedented collaborative effort by a US industry group to maintain international competitiveness. The consortium's goal is to restore US leadership in semiconductor manufacturing technology.

As head of Sematech, Dr Noyce became the US semiconductor industry's chief advocate in Washington where he was closely involved in industry efforts to win funding for Sematech and to block foreign acquisitions of US high technology companies.

Dr Spencer in contrast, is little known within the semiconductor industry. He has "several contacts in Washington," and is a member of the National Research Council's Computer Science and Technology Board as well as the Technical Advisory Board of the Competitiveness Council.

He appears, however, to have had little direct experience of the political lobbying that Dr Noyce considered to be an essential part of his role at Sematech.

Taking what some industry observers consider an optimistic view, Dr Spencer said Sematech's funding for the next two years was secure. The consortium receives half its annual $200m budget from the Department of Defence, with the remainder coming from its 14 member companies.

On the issue of foreign acquisitions, Dr Spencer said that it was important that each step in the semiconductor production cycle be funded and supported within companies in the US.

"We are all concerned about the loss of key parts of the semiconductor production equipment and materials industry," he added.

Volvo chief assumes total responsibility in management shake-up

By John Burton in Stockholm

MR CHRISTER Zetterberg, Volvo president, will assume complete management responsibility for the Swedish vehicle and aerospace group with his additional appointment yesterday as the concern's chief executive officer.

He succeeds Mr Pehr Gyllenhammar, who will remain chairman.

The appointment of Mr Zetterberg as chief executive officer, effective October 15, had been expected ever since he was named Volvo president last November.

Mr Gyllenhammar explained that his relinquishing of the post of chief executive officer would allow him to concentrate both on strategic planning and the development of Volvo's alliance with Renault, the French state-dominated vehicle group.

Mr Gyllenhammar co-chairs the top co-ordinating committee of the Renault/Volvo partnership with Mr Raymond Levy, the Renault chairman.

"The primary reason why Mr Zetterberg has taken over as CEO at this time is that we have concluded our agreement with Renault," which was signed two weeks ago, Mr Gyllenhammar said.

Volvo is reorganising its top management structure to strengthen central control of its operations and improve co-ordination with Renault.

Christer Zetterberg: appointment had been expected

Management will be conducted along product lines rather than by geographical areas.

Volvo's decision to co-operate with Renault, however, is believed to be one of the reasons behind the recent departures of Mr Roger Holtback as president of Volvo's car division and Mr Bjorn Ahlstrom as head of Volvo's North American subsidiary.

Mr Gyllenhammar said yesterday at a news conference in Gothenburg that Renault/Volvo's joint bid for the Czechoslovakian car manufacturer Skoda could eventually lead to the takeover of Czech truck producers, such as Tatra and Liaz, as well.

Nippon Yusen to take stake in Rio Grande Industries

By Nikki Tait in New York

NIPPON Yusen, the Japanese shipping group, is taking a 5 per cent stake in Rio Grande Industries, the privately owned holding company which controls the fifth-largest railroad network in the US.

The two companies already have commercial links, dating back for more than half a century. RGI's San Francisco-based Southern Pacific, for example, runs double-stack container trains for Nippon Yusen.

No purchase price for the stake was disclosed, but it was suggested that the Japanese interest might help to bring in new international business for the railroad group.

Rio Grande was acquired by Mr Philip Anschutz, a Denver-based businessman for around $496.5m. Mr Anschutz then made the ambitious move of adding Southern Pacific via a $1.8bn leveraged buy-out in 1988.

Although this gave him a 15,000-mile network and was warmly welcomed by Southern Pacific's employees, the rail operations of Southern Pacific have continued to show losses, only offset by the proceeds from property sales.

Nippon Yusen, which is part of the Mitsubishi industrial group, is not expected to play a management role in the railroads.

INTERNATIONAL COMPANIES AND FINANCE

The walking wounded of Tokyo's market turmoil

Robert Thomson reports on the Japanese companies suffering the biggest share price falls this year

There have been some big losers in Tokyo this year. The speculators' favourites – highly respectable banks, household names and the past bargain buys with impressive "hidden assets" – have all been battered in the stock market turmoil.

When the market opened this week and the losses were tallied for the year, about 30 companies were down by 65 per cent or more since last December. Last month, the prices of 14 stocks fell by at least 40 per cent – including Fuji Heavy Industries and Sansui Electric, bought by Polly Peck late last year and down 45 per cent for last month.

Companies have been severely punished for the market's past indulgences – the habitual price-ramping and the herd buying of stocks on a whim – and by fears that high interest rates would break firms with heavy borrowings. Concerns that land prices will crash have been tough on companies popular last year because of their perceived wealth in latent real estate assets.

TOP 10 LOSERS 1990 TO DATE
Percentage fall in stock prices from 1/1/90 to market opening yesterday

Rank	Company	Fall (%)
1	Nikko	76
2	Utoku	72
3	Ichida	70
4	Nippon Trust Bank	69
5	Meiji Shipping	69
6	Daiichi Chuo Kisen	65
7	Wakachiku Const.	65
8	Japan Oil Transport	64
9	Sagami Railway	64
10	Japan Paper	64

Source: EZW

The table of top 10 losers so far this year echoes the problems that first undermined market confidence at the year's beginning, problems that remain unresolved despite the market surge on Tuesday that made some of the figures a little less embarrassing.

Comparisons are made all the more striking by the market's bullishness last December, when prices were pushed to consecutive days of record highs, and the market provided opportunities for speculators who targeted small companies and lifted their prices beyond all reasonable levels. Some of the target companies and the speculators are now suffering.

Topping the list of share price falls is Nikko, a plant manufacturer for the asphalt industry, down 76 per cent since the first day's trading this year. It also has the honour of being the first Japanese company to launch an insider trading action against its largest shareholder, Sanwa Enterprise.

Sanwa Enterprise, and another experienced greenmailer, Akebono Kikaku, now in serious financial difficulty, had amassed an unwelcome 23.9 per cent stake in Nikko, whose share price jumped from Y740 to Y3,750 last year. The company has sued Sanwa for Y56m ($410,000) on the grounds that, as a major shareholder, it unlawfully used inside information to buy and sell the stock.

"We have been asking where is the pain," said Mr Robert Brooke, of Barclays de Zoete Wedd," and why does it seem that nobody is squealing. You can see that these companies have got to be hurting."

While several of the other big losers, including a silk underwear manufacturer, are in pain because of predators, other companies have fallen from grace in tandem with their sectors.

Railway stocks, bought last year because of their real estate assets, are down 59 per cent so far this year, as large real estate holdings are now perceived as a liability. Miscellaneous financial companies, as a group, are down 57 per cent because of concerns about higher interest rates and the damage done to their asset base by the stock market plunge.

TOP 10 LOSERS IN SEPTEMBER
Percentage fall in stock prices 31/8/90 to 28/9/90

Rank	Company	Fall (%)
1	Mitsumi Electric	48.82
2	Fuji Heavy Ind.	46.92
3	Sansui Electric	45.0
4	Rheon Automatic Mach.	43.6
5	Taka-Q	43.11
6	Itoman	42.64
7	Isuzu Motors	42.61
8	Kimura Chemical Plants	41.82
9	Nippon Koei	41.21
10	Taiheiyo Kohatsu	40.73

Source: Tokyo Stock Exchange

Conservative companies, such as Ishikawajima-Harima Heavy Industries (IHI), the shipbuilder and heavy machinery maker, have paid for investors' past passions for what were perceived to be underutilised real estate assets.

Ms Lynne Ross, of W.I. Carr, the stockbroker, said that rising interest rates have undermined the prices of highly geared companies and of financial institutions, such as brokers, which have been "severely hit".

Banks as a group are down 52 per cent on the year.

"The market is waiting to see what is happening to speculative companies. They must be verging on bankruptcy. These companies are also tied up in real estate. Investors are now restricted in what they can buy for their portfolios, and they are wanting to hold quality," Ms Ross said.

The desire for quality is reflected in the stocks that have fallen least this year. Metal products companies are down only 25 per cent, electricals by 32 per cent, the technology sector by 33 per cent and vehicle makers by 35 per cent.

Moody's may downgrade News Corp debt

By Kevin Brown in Sydney

NEWS Corporation shares continued to fall in Australia yesterday, as investors appeared unimpressed by the group's plans to cut costs by establishing 24-hour newspapers in Sydney and Melbourne.

And later yesterday Moody's Investors Service announced in New York it may downgrade News Corp's long-term credit ratings. It said it would review News Corp's level of liquidity and financial flexibility in view of increasingly restrictive global financial markets, declining asset values for media properties, and the outlook for weakening operating margins in the media and entertainment industries.

On the Australian Stock Exchange News Corp's shares fell 24 cents to A$6.68, following a fall of 18 cents on Wednesday, and a drop of more than A$2 last week. The shares now stand at less than half their year's high.

Mr Rupert Murdoch, News Corp chief executive, announced on Wednesday that the group would merge its morning and evening newspapers in Sydney and Melbourne into separate round-the-clock newspapers from Monday.

The move would eliminate losses of up to A$25m (US$21m) a year incurred by the two afternoon newspapers, the Sydney Daily Mirror and the Melbourne Herald, once the flagship of Mr Murdoch's father, the late Sir Keith Murdoch.

However, brokers said investors continued to be concerned about the level of News Corporation's short-term debt, in spite of assurances from Mr Murdoch that profitability was set to improve.

GMH boosts net 64% but warns this is unsustainable

By Kevin Brown

GENERAL Motors Holden's Automotive (GMH), the Australian subsidiary of General Motors of the US, yesterday announced net profits of A$151.5m (US$126m) for the year to June 30, on sales of A$2.4bn.

The result is a significant improvement on the previous year, when GMH reported net profits of A$92.4m on sales of A$1.7bn. The strong performance surprised industry observers, but Mr Bill Hamel, GMH chairman, said it would not be sustained.

Mr Hamel said the result was influenced by the successful launch of the Holden Commodore, which coincided with a strong market and led to higher than expected sales.

"To place this in perspective, GMH recognises that it cannot expect to sustain the profit performance of the past 12 months," he said.

GMH, Nissan, Ford and Toyota have closed their Australian factories for one or two weeks recently due to falling sales.

Ford and GMH have also protested against government plans to reduce tariffs on imported motor vehicles by 5 per cent a year for four years as part of an across-the-board reduction in tariff protection.

● A merger between MLC Life, the life insurance subsidiary of Australian property and financial services group Lend Lease, and fellow life insurer Capita Financial has been approved by Australian courts, Reuter reports from Sydney.

The merged group, to be called MLC Life, will become the third largest life office in Australia with assets of more than A$10bn, Lend Lease said.

Reserves of the merged group will total A$1.4bn, a reserve ratio of 24 per cent or more than A$900m in excess of government requirements, the company said.

KIO applied for all shares in Singapore oil flotation

DESPITE the Gulf crisis, the London-based Kuwait Investment Office (KIO) applied S$100m (US$57m) for all the 80m shares being offered in the flotation of Singapore Petroleum Company (SPC), writes Joyce Quek in Singapore.

This meant the oil refining group avoided the embarrassment of being the first Singapore offering to be undersubscribed in recent years.

Kuwait's interests in Singapore are estimated to be worth more than S$1bn, in property, blue chip companies and a brokerage. Analysts put KIO's offer for SPC – the single largest share application in Singapore – down to three reasons.

Firstly, KIO's subsidiary Kuwait Petroleum Corporation (KPC) refines 3m barrels a year under a five-year refining contract with SPC. Secondly, KPC was reportedly interested in the Pulau Merlimau Refinery which is owned by SPC, Caltex and British Petroleum. Finally, Kuwait may be trying to make up for the lost refining capacity at home.

The KIO becomes the fourth largest shareholder in SPC with 10.6 per cent, after DBS Bank and the Panamanian-registered Oceanic Petroleum (Asia) which each hold 20.4 per cent, and Natsteel of Singapore with 12.8 per cent.

The offer was 1.6 times subscribed. In all, applications for 122.08m shares worth S$152.6m were received comprising 7,904 local applications for 27.9m shares and 418 foreign applicants for 94.2m shares.

With the low subscription rate, all applicants will be allotted their applications in full except for the KIO, which will receive 38.95m shares, due to SPC's foreign share ownership limit being set at 49 per cent.

INTERNATIONAL CAPITAL MARKETS

Treasuries firm in spite of further falls in the dollar

By Karen Zagor in New York and Tracy Corrigan in London

US TREASURIES held firm yesterday in fairly light trading in spite of a further deterioration in the dollar.

Bonds were supported by continued optimism about the deficit reduction package and the anticipation of an easing in monetary policy.

In late trading, the Treasury's benchmark 30-year bond was quoted ⅜ higher at 99⅜, yielding 8.79 per cent. Gains were more moderate at the short end of the yield curve, *where the two-year note added* 1/16 to yield 7.85 per cent.

The Federal Reserve entered the market to add liquidity by arranging overnight system repurchase agreements when Fed Funds, the rate at which banks lend to each other, were trading at 8¼ per cent. Although the target for the funds is still believed to be 8 per cent, the market expects the funds to ease to 7¾ per cent as soon as the budget is approved.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	101-23	+03/32	12.48	12.69	12.43
		8.000	08/00	84-24	+05/32	11.71	11.89	11.71
		9.000	10/08	83-30	+08/32	11.07	11.27	11.09
US TREASURY *		8.750	08/00	100-21	+15/32	8.64	9.00	8.67
		8.750	*08/20*	*99-19*	+26/32	8.78	9.13	9.00
JAPAN	No 119	4.800	6/99	82.7818	+0.401	8.19	8.67	8.14
	No 129	6.400	03/00	92.1270	+0.449	7.85	8.23	7.75
GERMANY		8.500	08/00	96.4800	-0.080	9.05	9.11	9.00
FRANCE	BTAN	9.000	11/95	94.7083	-0.034	10.37	10.46	10.43
	OAT	8.500	03/00	87.9000	-0.220	10.56	10.61	10.42
CANADA *		10.500	07/00	96.2500	+0.150	11.10	11.43	10.72
NETHERLANDS		9.000	07/00	98.4500	0.000	9.24	9.31	9.11
AUSTRALIA		13.000	07/00	97.6371	+0.263	13.45	13.70	13.57

London closing, *denotes New York closing session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

The spectre of lower interest rates continued to haunt the foreign exchange market, and in late trading the dollar was quoted at Y133.95 and DM1.5345, sharply below Y136.04 and DM1.5420 late on Wednesday in New York.

Today's release of unemployment data for September is not expected to have much impact on the bond market, which is more concerned with the progress of the budget accord since it is thought that any easing of monetary policy is contingent on the budget being approved by Congress.

Analysts expect the September unemployment figures to point to a further weakening of the US economy. Some analysts believe that the figures will show that the US already is in a recession.

■ GERMAN bonds ended slightly lower, in unusually low volume, as market participants focused on the new Bund issue expected on Monday. There is speculation that the German government will try to raise between DM6bn and DM8bn.

Dealers are hoping that a historically high 9 per cent coupon will be set. Without that, they say the paper could be hard to shift.

The 10-year Bund future contract on the London International Financial Futures Exchange shed 10 pfennigs to close at 81.11.

■ JAPANESE government bonds continued their week-long rally, and the market appeared well-supported on expectations of easier US interest rates.

The bulk of business yesterday was during European trading hours; although end-investors remain elusive, traders continued to cover short positions.

The yield on the benchmark number 119 fell from 8.35 per cent at Tokyo's opening, to 8.28 per cent at the start of London trading, then closed at 8.16 per cent.

■ IN THE UK, gilt prices were unchanged as there was little domestic news, although dealers were already focusing on the next set of retail price data. Meanwhile, the possibility of easier US rates continued to act as a focus.

■ THE FRENCH government yesterday sold FFr8.55bn of bonds at its monthly auction, taking its sales for the year so far to FFr91bn, within its target range of FFr90bn to FFr110bn.

Yields rose by about 5 basis points from the previous day, when trading had been overshadowed by the imminent auction.

The auction centred on the 10-year OAT 8.5 per cent 2000, for which the Trésor (Treasury) accepted bids totalling FFr4.35bn at a cut-off price of 87.95, giving a weighted average yield of 10.56 per cent.

The Trésor also accepted FFr1.3bn of bids for its longest bond, the OAT 8.5 per cent 2019, at an average yield of 10.78 per cent, and FFr2.9bn for the floating rate OAT-TME 2001, at an average of 17 basis points below the long-term government bond average on which it is indexed.

Credit co-operative unit borrows Y2bn

MANUFACTURERS Hanover has arranged a Y2bn private placement for Banque Fédérative du Crédit Mutuel, writes Stephen Fidler, Euromarkets Correspondent.

The borrower is a subsidiary of the Credit Mutuel Group of Alsace Lorraine, a regional credit co-operative.

The five-year placement, documented as a loan rather than a bond, carries an 8½ per cent interest rate for 2½ years, switching to a reverse floating-rate note for the final three years. A reverse floater pays the investor the difference between a benchmark rate, undisclosed in this case, and London interbank offered rates (Libor) in yen.

After swapping the proceeds, the borrower obtains an interest rate below US dollar Libor, the arranger said.

The investors, in Japan, are taking a position that interest rates may remain high for a couple of years and then fall.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. — Closing prices on October 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	99¾	100¼		8.95
ALBERTA PROVINCE 9 3/8 95	600	101⅛	101⅝		9.08
AUSTRIA 8 1/2 00	400	94⅞	94⅞		9.46
BANK OF TOKYO 8 3/8 96	100	95⅛	95⅝		9.53
BELGIUM 9 1/8 92	400	100⅝	101⅛		8.61
BFCE 7 3/4 97	150	92⅝	93⅛		9.25
BNP 8 5/8 94	300	98⅝	99⅛		8.97
BP CAPITAL 9 5/8 93	150	101⅛	102⅛	+⅛	8.95
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GENERAL ELECTRIC 5 3/4 93	35000	[illegible]	[illegible]	[illegible]	8.43
INTER AMER DEV 7 1/4 00	30000	96	96⅝	+⅛	7.85
ITALY 5 3/4 92	150000	96⅛	97	+⅛	8.31
KANSAI ELEC PWR 4 5/8 96	60000	89	89⅛	+⅛	8.29
NIPPON TEL & TEL 5 7/8 96	50000	90⅝	91	+⅛	7.87
NORWAY 5 1/8 95	50000	89⅝	89⅝	+⅛	8.02
SWEDEN 5 5/8 95	20000	90⅝	91	+⅛	8.01
WORLD BANK 6 3/4 00	50000	93⅛	96	+⅛	7.70

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	91⅛	92⅛	-⅛	10.11
KREDIETCORP 7 93 LFr	1000	92⅞	93⅞	+⅛	9.98
WORLD BANK 8 96 LFr	1000	92⅞	93⅞		9.79
AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅝	-⅛	9.67
RABOBANK 5 3/4 95 Fl	150	92⅝	92⅝	+⅛	9.53
ALBERTA PROVINCE 10 92 C$	500	97	97⅝	+⅛	11.91
BCE INC 9 5/8 93 C$	300	94⅛	94⅝	+⅛	12.30
BELL CANADA 10 5/8 99 C$	150	91⅞	92	-⅛	12.24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MITSUBISHI BK 2 3/4 02	300	2727.1	61½	63½	+2.27
OGDEN 6 02	85	39.077	67⅞	68⅞	+56.02
PACIFIC DUNLOP 6 3/4 97	75	3.749	99½	100⅝	+1.67
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	76⅝	77⅝	
THORN EMI 5 3/4 04 £	103	7.45	100⅛	101⅛	+22.45

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Vancouver not flattered by TV's attentions

By Bernard Simon in Toronto

THE Vancouver Stock Exchange, suffering from a poor image and the lowest share prices in almost a decade, is bracing itself for another burst of critical publicity from a prime-time US television show.

The TV network ABC was due to screen an investigative report last night which was said to include damaging footage on promoters and brokers who specialise in the speculative penny stocks. These have given Vancouver a name as the closest thing to a casino among North American stock exchanges.

VSE officials have made an effort in the past few weeks to pre-empt the programme by putting out their side of the story, including an offer to mount a thorough investigation of any alleged wrongdoing. The exchange has accused ABC of "ambush-journalism", and has asked the network to hand over unedited tapes of secretly-filmed interviews between the promoters and television reporters posing as investors.

The ABC programme is the latest setback for the VSE and the junior resource companies which have been the backbone of its trading. Apart from a flurry of excitement last year over a gold find in northern British Columbia, share prices have steadily declined since the October 1987 crash.

The VSE composite index has lost more than 70 per cent of its value since reaching a peak of 2,024 in early 1987.

Mr Ian McAvity, president of Toronto-based MPP Capital Corp which has interests in about 20 junior mining companies, said yesterday: "There seems to be a collective attack against penny stocks. The junior companies are drying up left, right and centre."

Small mining ventures have experienced increasing difficulty in raising capital since the Canadian government ended attractive "flow-through" tax incentives for investors three years ago. In addition, US regulators have clamped down on investment in penny stocks.

To compound the exchange's problems, the slide in share prices has led at least one Canadian securities firm to stop taking orders on margin for junior stocks listed in Vancouver and the equally speculative Alberta exchanges. Mr McAvity said that, in general, only European investors were now willing to finance junior companies.

In responding to the flood of criticism, the VSE has tried to maintain a balance between clamping down on the excesses of its more colourful stock promoters while preserving its role as a market for risky, junior stocks.

It has tightened its listing rules in the past two years, including forming a pre-listings advisory committee to weed out frivolous listings. To distinguish between "venture" companies and more established stocks, the exchange this year introduced three new sub-indices.

Thai fund sets trading date

By Tracy Corrigan

A $15M THAI Development Capital Fund, launched by specialist broker Crosby Securities, has closed, and will start trading on October 12.

The London-listed fund will invest mainly in established, unlisted companies in Thailand, but will also look at companies listed on the country's stock exchange.

"Unlisted companies will be the main beneficiaries of [Thailand's] continued growth," said Mr Timothy Beardson, chairman of the fund. "They can be bought at considerable discounts to the listed market and will realise their true value on listing."

This year, Crosby launched a $60m Malaysia Select Fund which focuses on investment in smaller companies in Malaysia.

US futures team to visit E Europe

A DELEGATION from the two big Chicago futures exchanges will visit Hungary and the Soviet Union at the end of the month to provide educational assistance to encourage development of commodities markets in the two countries, writes Stephen Fidler.

According to the Chicago Board of Trade and the Chicago Mercantile Exchange, the agreements will be signed with the Budapest Commodities Exchange and the State Commission on Food and Procurement of the Soviet Union.

The aims include encouragement of mutual understanding of the respective countries' markets and promotion of information exchange.

هكذا صدر الأصل

INTERNATIONAL CAPITAL MARKETS

Changes proposed to tax rules for stock lending

By Tracy Corrigan

CHANGES in the UK tax treatment of stock lending, designed to staunch the flow of business to offshore markets, are soon to be introduced.

Yesterday, a series of proposals was formally submitted to the Inland Revenue by the Stock Borrowing and Lending Committee (SBLC). The committee, made up of market participants and Inland Revenue officials acting as participating observers, was chaired by Mr Ian Plenderleith, associate director of the Bank of England.

In stock lending, an investment institution typically lends securities to a dealer, who uses the stock to cover a short position or complete a failed trade. The borrower deposits collateral for the period of the loan and pays the lender a fee. Business is conducted through intermediaries, often custodian banks.

It is estimated that about £10bn to £20bn ($38m) of securities are on loan in the London market at one time.

Stock lending only makes business sense if the relevant tax authorities grant relief from capital gains tax. The Inland Revenue definition of securities precludes UK institutions from lending international securities held with UK custodians and paying agents, forcing some business abroad.

Previously, the UK tax authorities were concerned

Ian Plenderleith: rule changes strengthen London's position

that if they opened the way for such international business, they would find it difficult to extract the tax due on dividends received while the securities were on loan.

The committee has come up with a set of safeguards against such loss of tax.

A second obstacle to the growth of business in London has been the Inland Revenue's definition of stock lending as a three-party chain of borrower, intermediary and lender. In practice, a transaction involving foreign securities often demands additional links in the chain. Again, the tax authorities were concerned that they would be unable to trace a dividend back through a long chain, but procedures have been devised to ensure the tax can be collected.

The committee's proposals include other technical changes designed to take account of the expansion of the market, and the complex techniques of dealing and hedging which have evolved. For example, now only market makers, not fund managers, can borrow UK equities, and liberalisation is expected.

"I am confident that these proposals, if implemented, will increase the flow of securities available for lending and improve the liquidity of the markets," said Mr Plenderleith. "This can only strengthen London's position as an international financial centre."

Mountleigh could spend SFr95m on buybacks

By Simon London

MOUNTLEIGH, the UK-based property group, could spend up to SFr95m ($73m) in the Swiss bond market next week after making an open offer to buy back a portion of four outstanding Swiss franc bond issues.

The offer to repurchase the bonds through S.G. Warburg Soditic, the Geneva subsidiary of the UK merchant banking group, is open until next Friday.

The bonds will be repurchased at prices ranging from 70 per cent for the SFr30m 5¾ per cent bonds due May 1992, to 40 per cent for SFr30m 5½ per cent bonds due May 1995. The offer prices give a premium of between 18 and 25 per cent over Wednesday's closing bid prices.

According to Mr Jeffrey Warren, Mountleigh finance director, the buy-back operation will be financed from existing bank borrowing. He added that the bonds had been yielding more than 30 per cent in the secondary market before the offer was made public.

The move was announced yesterday by Mountleigh chairman Mr Nelson Peltz at the company's annual meeting in London. Control of Mountleigh passed to Mr Peltz and Mr Peter May in November 1989, when they acquired a 22.5 per cent stake in the company from former chairman and chief executive Mr Tony Clegg.

Italy Ecu1bn floater causes surprise

By Simon London

THE EUROBOND market was focused yesterday on a much-heralded issue from Italy in the Ecu sector. However, the borrower confounded expectations by opting for an exceptionally long-dated floating-rate issue, the pricing and distribution of which proved controversial.

INTERNATIONAL BONDS

The Ecu1bn 15-year issue – the largest Ecu-denominated floater to date – pays three month London interbank bid rate, with Banco di Roma and Banque Paribas acting as joint lead managers. In the uncertain interest rate environment, demand for floating-rate Ecu paper was expected to be stronger than for fixed rate.

However, having been issued at par, the paper slipped to trade outside full fees of 30 basis points by mid-morning, although it later recovered to trade at 99.70 bid, a discount equivalent to full fees.

Co-managers suggested that the pricing was tight for a deal with this maturity in an underdeveloped sector. Others suggested that the syndicate group, with 28 co-managers and two lead managers, was too large.

Some banks were reported unable to place their allotments at the issue price, while other institutions reported excess demand. Some co-managers suggested that the deal should have been structured with a fixed re-offer price of around 99.80 to protect the profitability of the deal.

Paribas conceded that the pricing may have been optimistic, adding that it was difficult to assess demand for an issue of this size in a sector previously made up of just three liquid deals amounting to Ecu850m. The structure of the deal and the syndicate group was determined between the borrower and Banco di Roma, the book runner.

There was general agreement that a floater of this size would be good for the Ecu sector by establishing a benchmark. Demand was reported from institutional investors, mainly multi-currency portfolio managers and central bank accounts. One central bank was reported to have taken more than 10 per cent.

Elsewhere, Morgan Stanley led its second large dollar deal of the week for a sovereign-backed borrower, with a $300m issue for the Finnish Export Corporation. On Tuesday, Morgan Stanley brought a $300m five-year deal for EBN, the Dutch state oil and gas company.

The three-year FEC paper carries a coupon of 8¾ per cent, against 9 per cent for EBN, a new name in the market. However, there was strong demand for the deal from Far Eastern and European investors and the lead manager reported the deal sold out by the close of trading.

At the fixed re-offer price of par, the issue offers a spread of 51 basis points over equivalent Treasury paper. FEC's 9¾ per cent issue due 1995 yields 54 basis points over Treasuries.

Warburg Securities said its £250m floating-rate note for the Halifax Building Society was also sold out by the close, with particular interest from UK institutions. The seven-year senior notes are at a margin of ⅛ point over six-month Libor, rather than the usual three-month benchmark.

The issue was made as a fixed-price re-offer at price of 99.85 and the bonds were freed to trade at 2:30pm local time, after which they were quoted at 99.84/87. At this level the paper yields 9½ basis points over six-month Libor, against 13 basis points for Bradford & Bingley Building Society's seven-year FRN launched last week.

The first New Zealand dollar deal for some time was launched by Shell Australia via Hambros. The NZ$60m four-year paper carries a coupon of 14 per cent, above the level on new Australian dollar deals for the first time this year. Interest came mainly from Swiss retail investors, with the paper trading less 1⅝ bid, just inside full fees of 1¾ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Finnish Exp.Corp(a)♦	300	8¾	101.175	1993	1⅞/1.275	Morgan Stanley Int.
ECUs						
Republic of Italy(b)†♦	1bn	(b)	100	2005	30bp	Bco. di Roma
STERLING						
Halifax Bldng.Society(c)†♦	250	(c)	100	1997	19/15bp	Warburg Secs.
NEW ZEALAND DOLLARS						
Shell Australia(a)♦	60	14	102	1994	1¾/1⅛	Hambros Bk
SWISS FRANCS						
Footwork Int.(d)★★§	100	5⅞	100	1995	-	Bca.D'Svizzera Italiana
Erdoel-Lagergesellschaft(a)♦	55	7¼	101¼	1997	-	Wirtschafts & Privatb.
DANISH KRONER						
Fin.Danish Ind.(a)♦	300	10¾	101¼	1993	1⅝/¾	Kreditbank NV
YEN						
Mizuno Fin.N'lands(e)†♦	2.5bn	(f)	101⅝	1993	1⅞/⅞	Sumitomo Fin.
Mizuno Fin.N'lands(g)†♦	2.5bn	(f)	101⅜	1993	1⅞/⅞	Sumitomo Fin.

★★Private placement. §Convertible. †Floating rate note. ♦With equity warrants. ♦Variable rate notes. ♦Final terms. a) Non-callable. b) Coupon pays 3-month Libid. Callable after 2 years. c) Coupon pays ⅛% over 6-month Libor. Callable at par from November 1994 coupon date. d) Early redemption 25/10/91 at 102% decreasing by ¼% semi-annually. e) Currency-linked FRN issue. Redemption linked to Australian dollar/Yen currency exchange rate. f) Coupon pays 6-month Libor plus 40bp. g) Currency-linked FRN issue. Redemption linked to Sterling/Yen currency exchange rate.

Californian thrift attempts to sell bond portfolio

COLUMBIA Savings & Loan, the California thrift which has been declared insolvent, is making a new attempt to sell its large junk bond portfolio, writes Nikki Tait.

The thrift said yesterday it had reopened bidding for the portfolio, after an earlier plan to sell the bonds to Gordon America LP, a partnership associated with Toronto-based Gordon Investment Corp, was blocked by Federal regulators.

The new auction invites all cash bids or transactions which permit Columbia to retain a share of future gains on the portfolio, as well as those involving a relatively small cash downpayment and a balance of new notes.

The most recent disclosed value of the junk bond portfolio was for end-June, when it was worth just under $3bn.

Amex offers long-term options on 10 blue chips

By Karen Zagor in New York

THE American Stock Exchange (Amex) will start offering investors long-term options today on 10 blue chip issues.

Amex will offer options with expirations of up to two years on American Express, American Home Products, Digital Equipment, E.I. Du Pont de Nemours, Walt Disney, GTE, Philip Morris, Procter & Gamble, Texaco and Union Carbide.

Options on all the stocks trade on the Amex with a maximum expiration of nine months.

The initial exercise prices will be set at about 25 per cent above and 20 per cent below the underlying stock price. Call and put options will be available at each strike price and can be exercised on any day before the expiration date.

A similar package was recently launched on the Chicago Board Options Exchange (CBOE), the market leader in equity options, but the CBOE product differs from the Amex by offering one strike price on a put and another on a call.

Mr James Jones, Amex chairman, said: "Long-term options will allow investors to participate in the blue chip market for an extended period of time without actually making a stock purchase."

Amex said it had observed that investors using the exchange's other products were particularly interested in long-term products. It hopes that investors will be drawn to a long-term market when recession fears are deterring them from more immediate markets.

Sweden delays levy cut proposal

THE SWEDISH Finance Ministry said the government was to delay proposing the abolishment of a 1 per cent turnover tax on share transactions and replacing it with a new tax on businesses in the financial sector, Reuter reports from Stockholm.

The ministry noted that many aspects of the plans presented by a government commission last June had been criticised. "Discussions on the issue continue," the ministry said.

DBV flotation worth DM900m goes ahead

By Katharine Campbell in Frankfurt

THE SECOND-LARGEST German share flotation of the last decade is proceeding, despite the stock market's jittery condition, with the placement of DM900m worth of shares in Deutsche Beamten-Versicherung (DBV), a countrywide insurance company.

The announcement yesterday coincided with the news that Allianz, Europe's largest insurer, was asking the market for DM1.35bn of funds in its latest rights issue.

Commerzbank, which is leading the underwriting consortium and has a 25 per cent stake in the newly privatised DBV, justified the venture partly on the strength of the issue's unusual structure.

The 1.33m of DBV shares, representing 50 per cent of the capital and priced at DM675 each, will be offered first to the insurance company's 1.5m policy holders, to a maximum of 10 each. These policy owners are effectively the current owners of DBV, and hence, according to a complicated formula, the recipients of the issue's proceeds.

Mr Manfred Broska, chief executive of DBV, argued that there was "strong interest" from policy holders, although he conceded that many life insurance investors had no experience of the stock market.

Mr Hans-Peter Nickisch, a DBV director, indicated that the costs of publicising such a deal had been a powerful reason for resisting postponement.

Last year DBV struck a relationship with Commerzbank to help with its desired privatisation. Premium income in 1989 was more than DM2bn ($1.3bn).

For the bank, which has paid around DM500m in total (DM380m of which came in a DBV capital raising this summer), the association forms an important strategic plank in its "Allfinanz" ambitions, the concept of one-stop financial shopping that is the trend in Germany.

Since the marketing pact in May, it has passed on DM400m of life business to DBV, and is aiming at about DM1bn next year. It hopes that DBV can do better in private hands.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section.	Thursday October 4 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Oct 3: Index No.	Tue Oct 2: Index No.	Mon Oct 1: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (196)	699.22	-1.0	15.94	6.79	7.67	29.40	706.14	699.53	690.10	942.48
2 Building Materials (26)	892.67	-1.4	16.44	6.83	7.49	34.59	905.73	899.73	884.68	1117.39
3 Contracting, Construction (35)	1049.57	-0.6	20.11	7.59	6.49	50.99	1055.91	1054.96	1038.21	1528.56
4 Electricals (10)	1914.31	-0.3	14.69	6.97	8.39	73.06	1920.07	1918.49	1903.33	2740.49
5 Electronics (26)	1567.95	-1.0	10.72	5.46	12.76	56.74	1584.34	1561.70	1542.28	2069.35
6 Engineering-Aerospace (8)	422.65	-1.8	15.92	5.70	7.55	15.17	430.27	427.51	419.09	0.00
7 Engineering-General (47)	368.19	-0.7	16.29	7.05	7.38	15.76	370.88	369.01	366.70	0.00
8 Metals and Metal Forming (8)	405.06	-0.8	28.13	8.24	4.33	17.02	408.45	401.65	390.74	489.45
9 Motors (13)	277.96	-1.3	18.38	8.54	6.33	14.26	281.68	279.71	276.28	375.90
10 Other Industrial Materials (23)	1191.87	-0.6	14.13	6.84	8.18	56.53	1199.62	1182.61	1171.08	1743.83
21 CONSUMER GROUP (176)	1160.13	-1.0	10.67	4.44	11.58	29.31	1172.09	1159.22	1141.35	1306.18
22 Brewers and Distillers (22)	1433.79	-1.3	10.92	4.12	11.09	33.47	1452.09	1415.63	1394.45	1467.76
25 Food Manufacturing (18)	1006.61	-0.8	11.54	4.85	10.68	24.61	1014.48	1001.58	985.43	1155.54
26 Food Retailing (17)	2304.18	-0.7	10.36	3.62	12.29	50.82	2321.33	2297.43	2265.91	2446.12
27 Health and Household (16)	2396.58	-1.2	7.41	3.10	16.01	47.38	2425.58	2404.88	2350.81	2501.21
29 Leisure (32)	1141.38	-1.8	13.13	5.51	9.22	36.79	1161.87	1148.27	1134.32	1707.73
31 Packaging & Paper (12)	479.22	-0.4	13.43	7.26	9.14	22.54	481.19	480.85	474.60	578.62
32 Publishing & Printing (14)	2812.92	+0.3	12.76	6.64	9.81	118.55	2805.23	2821.18	2795.71	3662.16
34 Stores (33)	738.84	-1.2	11.98	5.05	10.86	18.26	747.59	745.26	737.69	819.62
35 Textiles (12)	409.21	+0.6	14.56	8.67	8.71	19.76	406.60	404.96	398.31	559.25
40 OTHER GROUPS (147)	972.56	-0.7	13.01	6.05	9.32	31.51	978.98	967.92	956.55	1168.39
41 Agencies (16)	1072.33	-6.6	10.13	3.10	11.98	22.00	1148.12	1160.13	1111.65	1559.99
42 Chemicals (24)	1002.01	-0.6	13.25	6.65	8.92	46.23	1007.79	995.06	973.65	1253.54
43 Conglomerates (15)	1299.77	......	13.05	7.70	9.23	35.71	1300.10	1288.85	1264.67	1646.85
44 Transport (14)	1805.10	......	13.41	5.80	9.45	65.20	1805.51	1791.39	1761.60	2281.83
46 Telephone Networks (3)	1076.92	-0.1	12.15	5.08	10.71	26.09	1077.76	1055.97	1061.32	1134.69
47 Water (10)	1929.43	-0.5	15.98	7.02	7.03	68.12	1939.19	1954.69	1943.32	0.00
48 Miscellaneous (25)	1532.65	-0.5	13.66	5.87	8.41	61.39	1540.15	1512.19	1497.86	1953.45
49 INDUSTRIAL GROUP (479)	991.56	-0.9	12.56	5.46	9.75	30.96	1000.54	989.82	976.11	1189.38
51 Oil & Gas (21)	2372.21	+0.5	10.51	5.26	12.46	84.75	2359.52	2339.27	2330.64	2179.20
59 500 SHARE INDEX (500)	1103.98	-0.7	12.23	5.42	10.10	35.28	1111.41	1099.87	1086.44	1273.16
61 FINANCIAL GROUP (103)	660.37	-1.1	-	7.19	-	31.27	667.70	653.49	644.77	792.22
62 Banks (9)	694.78	-2.5	23.56	8.29	5.56	41.50	712.58	691.98	676.74	795.18
65 Insurance (Life) (7)	1305.48	-0.2	-	5.87	-	54.97	1308.54	1282.19	1268.66	1242.94
66 Insurance (Composite) (6)	574.75	-0.4	-	7.39	-	27.35	577.28	563.05	556.50	650.75
67 Insurance (Brokers) (8)	814.80	-0.7	10.99	7.93	11.89	40.46	820.75	800.86	774.04	1049.92
68 Merchant Banks (7)	334.76	......	-	6.11	-	12.31	334.79	328.57	325.46	417.88
69 Property (45)	868.20	......	8.70	5.60	15.18	24.52	868.34	862.14	864.62	1287.98
70 Other Financial (21)	236.32	+0.5	11.97	7.38	10.84	10.30	235.19	235.10	233.78	352.17
71 Investment Trusts (66)	985.36	-0.6	-	4.01	-	24.36	991.48	988.67	971.12	1249.77
91 Overseas Traders (5)	1140.23	-1.7	12.61	8.09	9.44	59.65	1159.41	1144.93	1121.60	1400.10
99 ALL-SHARE INDEX (674)	995.94	-0.7	-	5.64	-	33.89	1003.28	991.56	979.09	1156.99

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 3	Oct 2	Oct 1	Sep 28	Sep 27	Year ago
FT-SE 100 SHARE INDEX♦	2070.4	-16.6	2090.6	2069.1	2087.0	2058.5	2030.8	1990.2	2009.1	2281.6

FIXED INTEREST

PRICE INDICES	Thu Oct 4	Day's change %	Wed Oct 3	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	116.35	+0.12	116.21	-	9.71
2 5-15 years	120.96	+0.24	120.68	-	10.23
3 Over 15 years	121.84	+0.34	121.42	-	9.84
4 Irredeemables	140.28	+0.33	139.83	-	8.85
5 All stocks	121.33	+0.20	121.09	-	10.12
Index-Linked					
6 Up to 5 years	153.44	+0.06	153.35	-	2.46
7 Over 5 years	138.38	+0.21	138.09	-	3.12
8 All stocks	139.40	+0.20	139.12	-	3.06
9 Debentures & Loans	98.96	+0.05	98.91	-	8.99
10 Preference	72.56	+0.42	72.25	-	5.23

AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 4	Wed Oct 3	Year ago (approx.)
British Government				
1 Low Coupons	5 years	11.01	11.04	10.34
2	15 years	11.00	11.03	9.64
3	25 years	11.00	11.03	9.50
4 Medium Coupons	5 years	12.05	12.10	11.19
5	15 years	11.50	11.53	10.01
6	25 years	11.22	11.24	9.60
7 High Coupons	5 years	12.13	12.17	11.31
8	15 years	11.76	11.79	10.23
9	25 years	11.51	11.54	9.76
10 Irredeemables	†	11.12	11.15	9.57
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.24	4.26	3.70
12 Inflation rate 5%	Over 5 yrs.	4.33	4.34	3.66
13 Inflation rate 10%	Up to 5 yrs.	3.07	3.08	2.89
14 Inflation rate 10%	Over 5 yrs.	4.15	4.16	3.49
15 Debs & Loans	5 years	14.38	14.37	13.51
16	15 years	13.18	13.18	12.33
17	25 years	12.77	12.77	11.63
18 Preference	†	13.04	13.10	10.45

♦Opening Index 2085.2; 9 am 2089.9; 10 am 2083.8; 11 am 2077.0; Noon 2070.9; 1 pm 2070.1; 2 pm 2072.1; 2.30 pm 2071.9; 3 pm 2076.3; 4.10 pm 2070.0; (a) 9.07am (b) 4.04pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	76	1	16
Corporations, Dominion and Foreign Bonds	7	0	14
Industrials	219	390	952
Financial and Properties	101	200	439
Oils	25	16	49
Plantations	1	2	7
Mines	31	34	91
Others	27	99	93
Totals	487	742	1,661

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	93		R4.7	3.3	6.7	6.1
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	-	4	3	Fielan Group 1p	3½		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	44		ϕ0158%	5.1	3.4	8.0
-	F.P.	-	24	19	JF Fledgeling Jap. Wts.Ic.	19	-1	-	-	-	-
100	F.P.	-	98	76	Jupiter Euro Inv Trust	77		-	-	-	-
-	F.P.	-	38	21	Do. Warrants	21	-2	-	-	-	-
§108	F.P.	-	116	101	‡Lowercrest 5p	101		R4.05	2.4	5.3	8.1
-	F.P.	-	22	20	‡MMI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	11	‡Paramount 2½p	11		-	-	-	-
1	F.P.	-	53	41	‡Pelican 20p	41		-	-	-	-
100	F.P.	-	90	83	River & Merc. Smaller Co.	[illegible]		K3.75	-	6.0	-
-	F.P.	-	26	18	Do. Warrants	20		-	-	-	-
130	F.P.	-	156	136	Seton Healthcare 10p	140		L3.75	2.2	3.6	12.5
§100	F.P.	-	102	90	Slam Select. Growth Tst.	91		-	-	-	-
-	F.P.	-	38	28	Do. Warrants	30		-	-	-	-
225	F.P.	-	245	235	[illegible] 10p	235	-5	-	-	-	-
100	F.P.	-	102	93	TR European Growth Tst.	94		K1.0	-	1.4	-
40	F.P.	-	43	38	Do. Ptg. Sub. 1p	41	-1	F1.0	-	3.3	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	75	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	75	
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	95p	+2
‡	F.P.	-	90p	75p	Bank Org. 8.25p (Net) Cv Cm Rd Pf 20p	81p	-1
100p	F.P.	-	114p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	113p	-1
100	F.P.	-	107¾	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	105½	-¼
100p	Nil	-	¼pm	¼pm	Wace Grp. new 8pc Cnv. Pf £1	¼pm	
100p	F.P.	-	105p	50p	Wyndham Group 9.375pc Cm. Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
50	Nil	-	2¼pm	1¼pm	Kynoch (G & G)	1¼pm	
220	55	23/7	86	33	Ratners	46	+3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ϕ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

- First Dealings Oct. 1
- Last Dealings Oct. 12
- Last Declarations Jan. 10
- For settlement Jan. 21

For rate indications see end of London Share Service

Calls in Burton, Davy Corp. and Tuskar Res.

LONDON TRADED OPTIONS

TAKEOVER speculation swirled around the market yesterday when for the third day running STC was the busiest traded stock option.

Talk that Siemens would launch a bid towards the end of the year prompted heavy buying of STC call options by European and UK traders.

STC rose 5 to 271p against a falling equity market as 5m shares changed hands. In the options market, a total of 5,464 lots changed hands, equivalent to 5.4m shares.

On a more normal day, STC trades around 500 lots. Yesterday's total was divided between 4,615 calls and 849 puts.

Interest in STC has steadily risen and has been linked to periodic bursts of buying in the stock-market.

Speculation that Siemens would bid for STC has surfaced on several occasions over the last month. But the interest this week has been at a higher level than in recent weeks.

Turnover was swollen as UK securities houses actively bought the expensive January 240, 260, 280 and 300 calls. European investors, including some from Germany, were also keen buyers.

In the rest of the options market, BP calls were traded busily as the oil price advanced. BP traded 4,388 contracts, with calls accouting for 3,211 and puts 1,177. The January 360 calls were the most popular.

In total, the options market traded 33,275 contracts, of which 17,454 were puts and 15,821 were calls.

The FT-SE 100 index options turned over 9,057, including 1,222 calls and 7,835 puts. The October 1,800 puts, which were the busiest, traded 2,136.

In the futures market, the December FT-SE 100 index fell back after the previous session's late technical advance. December closed 30 points lower at 2,129. When the futures market closed, the cash index was down 17 at 2,070.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*446)	420	30	47	65	2½	12	17
	460	6	26	41	17	29	34
	500	2	12	24	56	58	60
ASDA (*118)	110	10	18	21	1½	4½	7
	120	3½	12	16	5½	9½	13
	130	1½	6½	11	14	15	18
Trafalgar (*190)	180	16	27	31	5	15	21
	200	5	11	20	13	25	31
	220	2	6	12	32	40	41
Utd. Biscuits (*315)	300	18	30	39	4	11	15
	330	2½	15	22	24	27	32
	360	1	6	12	53	54	57
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*200)	200	13	20	23	10	14	13
	220	6	11	14	22	24	26
Amstrad (*53)	50	8	10	12	4	4½	5½
	60	3½	6	8	10	10	11
Barclays (*337)	330	30	42	45	15	23	25
	360	14	-	-	27	-	-
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Smurfit optimistic despite setback

By John Thornhill

JEFFERSON SMURFIT, the Irish-based paper and packaging company, yesterday said it had a good chance of being one of the few paper companies in the world to increase earnings per share this year.

The group's relative optimism on the release of its interim figures was appreciated in the City, and its shares closed 20p higher at 518p.

Following last year's complicated restructuring of its North American businesses, the group did, as expected, report lower pre-tax profits of I£82.43m (£75.67m) for the six months to July 31, against I£120.73m a year ago.

Sales also declined to I£484.81m (I£798.73m). However, if the US companies' sales had been included on a comparable basis – they now form 50 per cent of associate companies – then group sales would have risen by 12.5 per cent to I£898.3m.

Fully diluted earnings per share advanced to 25.1p (23.9p). The interim dividend was also increased by 7.5 per cent to 1.57p (1.46p).

Jefferson Smurfit's US businesses, JSC and Container Corporation of America, were combined and refinanced last year, resulting in a cash dividend of about $1bn for the Irish parent company. The company said these receipts had been exchanged into "harder" currencies resulting in a 13 per cent gain in dollar terms.

In spite of some small acquisitions in Europe and investing in a newsprint mill in the US, Jefferson Smurfit still retained I£879m in cash at the end of the period. The strong balance sheet opened many opportunities for soundly-based acquisitions, the company said.

It also resulted in Jefferson Smurfit receiving interest of I£14.74m, compared with a I£19.14m interest charge a year ago.

The company's operations in the US and Canada contributed substantially lower operating profits of I£10.82m (I£90.4m) because of the restructuring.

Contributions from UK activities also declined to I£2.41m (I£3.38m) because of prolonged high interest rates and the economic downturn.

However, in all other geographical areas Jefferson Smurfit increased trading profits. Ireland contributed I£9.24m (I£7.25m); other European Community countries made I£18.38m (I£12.79m); and Latin America provided I£26.84m (I£26.05m).

The share of net profits from related companies and non-consolidated finance subsidiaries fell to I£16.69m (I£47.77m).

See Lex

Freight forwarding drives Lep ahead 21%

By Andrew Hill

LEP GROUP, the services company in which ADT now has a 22 per cent stake, raised profits by 21 per cent, from £9.31m to £11.3m, in the six months to June 30.

The strongest growth came from the freight forwarding and distribution arm, which more than doubled its operating profits to £7.38m (£3.29m).

The security services division, which consists of National Guardian Corporation in North America, increased profits by 9 per cent to £12.32m (£11.34m).

Group turnover in the first half rose from £618m to £736m. Earnings per share grew at a slightly slower rate than profits, up 13 per cent to 6.2p (5.5p), because of an increase in share capital following conversion of some National Guardian debt into equity.

An interim dividend of 2p (1.75p) is declared.

Lep has been expanding its freight forwarding business in eastern Europe this year, adding joint ventures in east Germany and Czechoslovakia to its acquisition of a west German transport and distribution group in January.

The UK company said earnings from the west German subsidiary had suffered from US currency volatility. The group has changed its accounting policy so that it translates overseas earnings into sterling at average rates. The changes boosted interim profits by £281,000 and earnings per share by 0.2p.

Mr John Read, chairman, said he expected further progress in the second half, barring significant reductions in economic activity worldwide. He added that he was confident about the outlook for the company.

"The bit about the economic downturn is only in there because everybody tells me there is one."

In the first half, Lep's property and other interests made £124,000, compared with £2.61m in the first half of 1989. Mr Read said the group saw no point in trying to sell its properties in the current market.

ADT, which is one of National Guardian's biggest competitors in the US electronic security market, announced it had increased its holding in Lep to 21.8 per cent on Tuesday.

● COMMENT

The profit from Lep's freight forwarding business may have doubled, but the division is still in a recovery phase according to Mr Read; that is why he still describes distribution profits as "nowhere near acceptable". The chairman's ruthless desire to make other freight forwarders squeal is heartening for Lep shareholders in these troubled times, as is the group's global ambition. Both factors help to explain ADT's growing interest in Lep, but whether the Bermuda-registered company decides to take its commitment further is somewhat immaterial: the share price does not owe its strong performance against the rest of the market to ADT alone. Assuming the group makes £32m before tax in the full year its shares – down 1p to 163p yesterday – look increasingly attractive on a multiple of 9 times prospective earnings.

Exports help Druck maintain growth

Druck Holdings reported taxable profits for the year to June 30 ahead by 10 per cent at £4.22m. Mr John Salmon, chairman, said the company was protected from the UK economy by its buoyant overseas activities.

Turnover increased to £19.06m (£17.22m), a rise of 11 per cent.

Earnings per share were 40p (37.4p) and the final dividend is 5.6p for a total payment of 8.2p (7.4p). The tax charge was £1.66m (1.45m).

Head of Pathé UK resigns

By Clare Pearson

MR BARRY JENKINS has resigned mysteriously as managing director of the UK operations of Pathé Communications, the Hollywood studio and entertainment company controlled by Mr Giancarlo Parretti, the Italian financier.

Pathé has until October 23 to raise funds to complete its $1.3bn takeover bid for MGM/UA, the Hollywood film studio.

Mr Jenkins had earlier made it known that he was willing to spearhead a management buy-out of Cannon Cinemas, the UK cinema chain put up for sale by Pathé along with other assets in an effort to provide funds for the ambitious MGM/UA bid.

It was also announced yesterday that Mr Martin Evans had "been relieved of his duties" as finance director of Pathe Group (UK).

Executives at the company were unavailable for comment.

Analysts expressed scepticism as to whether Mr Parretti would be able to finalise the MGM/UA bid after Time Warner, the media conglomerate, in June withdrew its offer of a $650m loan to help finance the takeover.

Pathé Communications, which has already committed some $300m to the deal, must have an extra $1bn worth of finance in place to complete its offer for MGM/UA.


Peter Earl: abandoned capital reconstruction

Tranwood withdraws interim payment

By Andrew Hill

A LACK OF funds has forced Tranwood, the USM-quoted financial services group headed by Mr Peter Earl, to withdraw its interim dividend the day before it was due to be paid.

Tranwood has had to cancel the dividend cheques, which had already been posted to shareholders by the company's registrar, Barclays Bank. A separate letter has now been sent asking shareholders to return their cheques.

Tranwood's shares slipped from 5½p to 4¼p yesterday, in spite of a simultaneous announcement that the group had received an approach from a potential bidder. At that price Tranwood is worth £4m, compared with a market value at the shares' peak in August 1989 of nearly £50m.

According to Tranwood's advisers, the company did not invite the approach, which came from outside the group. Discussions are at an early stage, but the company said a further announcement would be made "as soon as possible".

Tranwood declared a maintained dividend of 1p on August 6, but the £906,000 pay-out was not covered by first-half profits, which amounted to only £448,000 after extraordinary costs.

Tranwood had expected £3.3m of mezzanine finance and equity investment in the Imperial Centre, a new office and retail project in Bristol, to be repaid, or replaced before September 28.

In addition, Tranwood is still owed about £4m by ICA Holding, a Netherlands company, and has an option to convert its loan into shares in ICA, but has yet to take a decision.

Tranwood, initially a hosiery company, bought Mr Earl's mini-merchant bank Ifincorp Earl in 1987 and demerged the financial services business a little less than a year later. The group is now involved in investment management, corporate finance, and investor relations.

Mr Earl, group deputy chairman and chief executive, announced a capital restructuring plan in January but abandoned it three months later in favour of repurchasing the shares. In its interim announcement Tranwood said it would continue with that plan during the rest of the year, but no shares have been bought back since August 6.

Lower wool prices will leave Parkland lower

By Richard Gourlay

Shares in Parkland Textile (Holdings) yesterday closed down 10p at 175p after Mr John Hanson, chief executive, warned that profits would be sharply lower in the first half of 1990 reflecting lower wool prices and a tightening of margins.

Mr Hanson said the company would only break even at the pre-tax level. This compares with profits of £1.48m in the same period in 1989. After exceptional items, including a loss of Middle East business and the cost of reorganising operations, the group would make losses of £600,000.

In May, Parkland reported pre-tax profits down 21 per cent at £2.04m as customers in the weaving division, the traditional area of activity, cut orders towards the end of the year. Parkland said its was too soon to say if it would produce a small profit for the full year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Brompton, Expedier, Filofax, Marylebone Estates, RKF, Save & Prosper Sterling Deposit Fund, Scottish Tv.

Finals- Epsari, Lawtex, Property Trust.

FUTURE DATES

Interims-

BAA	Nov 16
Baris	Oct 16
Bourne End Properties	Oct 17
Farnell Electronics	Oct 15
Govett Oriental Inv Tst	Oct 16
Hambros	Nov 27
Helene	Oct 12
MFW Computers	Oct 9
S & U Stores	Oct 9
Wensum	Oct 10

Finals-

Wolseley	Oct 23

Hillsdown gains up to 70% of Strong & Fisher in rescue deal

By Jane Fuller

THE RESCUE package announced yesterday for Strong & Fisher, one of only two quoted leather companies, will give control of up to 70.5 per cent of the shares to Hillsdown Holdings, the food, furniture and property group.

The proposals, designed to save Strong from almost inevitable receivership, also involve 11 banks effectively writing off £14m of the £48.3m owed to them and converting a further £24m into equity.

Hillsdown, one of the UK's largest abattoir operators, plans to inject its fellmongering (wool removal and pelt pickling operations), hide and skin trading and rendering businesses into Strong & Fisher in return for 63m new ordinary shares.

Hillsdown will also pay £11m cash for a further 44m new shares and underwrite a 7-for-10 rights issue to raise £3.3m. Depending on the take-up of the issue, Hillsdown will end up with between 63.1 per cent and 70.5 per cent of the ordinary share capital. The banks will have 18.8 per cent, so the existing shareholders will see their portion reduced to a maximum of 18.1 per cent.

The dire state of Strong & Fisher's finances was made clear in the results announced yesterday for the year to June 29. It reported a pre-tax loss of £17.52m against profits of £1.17m last time.

Operating profit was £550,000, compared with £5.21m, on turnover of £83.7m (£90.76m). Interest charges amounted to £8.98m (£3.33m) and exceptional costs to £9.14m (£813,000). The latter related largely to stock losses following the collapse of the sheepskin price and to provisions for bad debts.

Extraordinary costs of £16.65m (£1.74m) included a £12m provision against the loss on an investment in Pittard Garnar, which it tried to take over in September 1988 – with Hillsdown as a rival bidder. Hillsdown eventually sold a 17 per cent stake in Pittard to Strong.

After total losses of £35.45m (£125,000), Strong's net liabilities at the year-end stood at £11m and the balance sheet continued to deteriorate.

The new group will be debt free and have net assets approaching £57m.

Mr John Jackson, Hillsdown's deputy chairman, said the company slaughtered about 20,000 sheep each week. The deal would take Hillsdown into the business of adding value to those skins – Strong is the UK's leading producer of fashion leathers.

He stressed that the deal was subject to the Office of Fair Trading's approval.

Mr Richard Strong, managing director of the company founded by his great-grandfather, will stay on as a director.

The banks will get £10.3m repaid from the proceeds of Hillsdown's new share purchases and the rights issue.

Of the remaining £38m debt, £8m will be converted into new ordinary shares, £16m into convertible preference shares and a further £14m into other convertible preference shares, which will be transferred to Hillsdown for a token consideration, hence the effective write-off of this amount.

Strong's shares were suspended at 20p last month.

Etam tumbles to £1.1m loss

By John Thornhill

ETAM, the clothing retailer, tumbled into the red in the first half of the year as it suffered from difficult trading conditions. But the company said it expected to show a profitable, if diminished, outcome, for the full year.

The group had already issued a profits warning in June and the shares yesterday bounced to 72p, up 12p on the day.

At the taxable level, losses amounted to £1.12m in the 28 weeks to August 11, compared with profits of £6.27m. Sales were strongly ahead at £99.28m (£84.26m), an increase of 18 per cent.

The dividend was cut from 1.95p to 1.2p.

The company said its expansion plans were now complete and that it would concentrate in the second half on cutting costs and restoring margins.

Mr Alan Howard, chairman, said Etam would apply its energies to bringing the 200,000 sq ft of trading space it had acquired since January 1989 to maturity.

Losses per share amounted to 1.9p, against earnings of 6.22p last time.

● COMMENT

In some respects Etam has the lamentable appearance of a failed "space bandit" – a classic 1980s retailer which went on a wild buying spree in the high street and which is now saddled with too many outlets and spiralling costs. But such an assessment is somewhat unfair to the company, since, unlike many other straitened retail companies, it is still in reasonable financial shape with a strong balance sheet and low gearing. Sales have also remained good and there are better margins to be ground out in the second half which should enable a return to profit for the year. Analysts are looking for a taxable outcome of some £6.5m, putting Etam on a prospective multiple of 11.

That looks high given the continuing grim outlook for the high street – although all multiples in the retail sector appear fairly peculiar at the moment. But it would still perhaps be best to wait to see how well the company tackles the second half before leaping decisively either way.

Goodman Examiner borrows I£30m

By Kieran Cooke

Mr Peter Fitzpatrick, the Examiner appointed to report on the financial affairs of Goodman International, has won court approval to borrow I£30m (£27m) of emergency funds to keep the company's meat factories operating until the year end.

Mr Fitzpatrick is due to present a report to the High Court assessing the viability of Goodman International. There was speculation that Mr Fitzpatrick may seek to delay his report because of the added complexity of including the Goodman Holdings companies.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bridgend	int	0.4†	Nov 23	0.35	-	1
Clinton Cards	int	1.5†	Nov 16	1.2	-	4.33
Copymore §	int	0.8	Nov 2	0.8	-	2.5
Druck §	fin	5.6	Nov 19	4.9	8.2	7.4
Etam	int	1.2	Jan 3	1.95	-	6.6
Finlay (James)	int	2	Jan 3	2	-	4.15
Galliford	fin	3.3†	Nov 23	3.05	4.25	3.9
Hewden Stuart	int	0.825	Dec 11	0.75	-	2.75
Ingham (George)	int	1†	Oct 31	1	-	3
Jacob (W&R)	int	3.25♣†	Nov 1	3	-	9.5
Lep	int	2	Jan 11	1.75	-	6
Martin (Albert)	int	1.6	Jan 2	1.6	-	4
Murray Ventures	fin	6.1	Nov 28	4.7	9.35	7.2
Nu-Swift	int	8	Nov 9	7	-	15
Smurfit (Jeff)	int	1.573♣	Dec 31	1.463	-	4.7
Strong & Fisher	fin	nil	-	8.3	2	12.3
Tilbury	int	10.5	Oct 31	10	-	32
TSW	fin	2.77	-	3	5	4.15
Venturi Inv Tst	int	1.3125	Nov 5	-	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

UK COMPANY NEWS – THE POLLY PECK AFFAIR

Turkish pledge may give Nadir a breather

Polly Peck chief to plead with bankers today for more time, David Lascelles reports

Mr Asil Nadir, Polly Peck International chairman, will plead with his bankers today to give him a breathing space to rescue his company from break-up.

At a meeting in the City of London he will ask them to roll over PPI's existing credit facilities, and then grant a moratorium on interest payments of up to 90 days. He will also tell the representatives of 50 banks that the Turkish government has promised to provide cash to help the company through its crisis.

"From my contacts with my banks I believe the atmosphere is very positive," he said yesterday. "I am confident that the right decision will be to roll over their uncommitted funds." But he warned that if the banks refused to roll over, PPI would have to embark on a programme of asset sales.

"We'd sell the whole thing if necessary, obviously," he said of the group's main arm, the Del Monte fruit company.

Mr Nadir will not be bringing to the meeting any concrete evidence of the Turkish government's willingness to provide finance. He said that his bankers had already been circulated a letter from the Turkish Economics Ministry promising help. But that was before Ankara received the controversial letter from the Foreign Office.

It had not yet been decided in exactly what form the Turkish money would be forthcoming, but it might come as loans from state-owned and private sector Turkish banks carrying a government guarantee. The loans would amount to £100m or more, and would be tailored to meet the needs of PPI's other bank creditors. It would not be conditional on the banks making concessions.

During the 90-day moratorium, an evaluation of the company would be completed by Coopers and Lybrand, the accountancy firm. A co-ordinating committee of bank creditors would also be set up to work on solutions.

Mr Nadir will give details of PPI's present financial position. The company stopped paying its bankers last week. Between now and the end of the year, PPI needs to find £98m to service its debts, including £40m which it should have paid last month. It needs a further £20m this month and next, and £18m in December.

Normally, it would be able to finance these payments from its cash flow and by rolling over loans. But Mr Nadir said that many banks had withdrawn their credit lines once news of PPI's crisis broke.

Of the total £800m of debts, about 82 per cent is in the form of committed funds, Mr Nadir said. This means that banks cannot normally withdraw credit facilities. But this also implies that about £150m of borrowing is in the form of uncommitted facilities which can be cancelled at any time. This is the lifeline that has been cut off.

PPI has transferred between £70m and £80m in cash back from its operating divisions to help meet the parent's commitments. But normally cash flowed in the opposite direction, Mr Nadir said, and the company was not organised to bring cash back to the centre. This has contributed to its liquidity problem.

Mr Nadir will tell his bankers that PPI will be slashing capital spending from £200m this year to £50-60m next year. Operating subsidiaries have been told to rein in their expansion plans, but this would also take time to implement. But he will stress that individual subsidiaries are still healthy and operating profitably.

Bankers who are due to attend today's meeting said last night that they would have to be convinced that Polly Peck had sufficient cash flow to meet its commitments before they would agree to the proposals.

Because the additional finance promised by the Turkish government was vital to this, they would require firm evidence of Ankara's readiness to guarantee loans.

They would also seek information about the payments that PPI would have to make in the coming months, what assets were available for disposal if need be, and the management's view of the company's future.

But today's meeting, for which one of the City institute halls has been hired, is likely to be a cumbersome, inconclusive affair. Standard Chartered, the organiser, is expecting 200-300 people.

Bankers were wary of predicting the outcome of PPI's crisis. One of them said they faced the classic dilemma of whether to call in the receivers, or lend more money to bail a company out of its difficulties.

Tony Andrews

Sansui 'not affected' by parent's problems

By Ian Rodger in Tokyo

SHARES of Sansui, the electronics subsidiary of Polly Peck International, have plunged by 42 per cent on the Tokyo Stock Exchange since the middle of August.

At first glance, that would suggest that investors are anxious about the possible effects of PPI's liquidity problems on Sansui. However, that is only half the story. The plunge has come at a time when the Tokyo market in general has been falling rapidly. The Nikkei average of 225 leading shares has tumbled 21 per cent over the same period.

The company's shares closed down Y54 yesterday at Y535.

Mr Koichi Enomoto, a Sansui director, said PPI's problems had not affected operations so far. "Sansui, Capetronic and Imperial are all separate from PPI. We buy and sell through our own organisation or subsidiaries. There are no day to day transactions with our parent company.

"In the worst case, PPI might sell its shares and a new owner might have a different policy towards Sansui."

PPI bought a 51 per cent stake in Sansui, which was then nearly bankrupt, a year ago for Y15.6bn (£60.3m). Then, this May, the British company sold its own consumer electronic subsidiaries, Capetronic and Imperial, to Sansui in an effort to strengthen all three. In doing so, its stake in the Japanese company rose to about 75 per cent.

Mr Enomoto said that since the PPI takeover, Sansui had introduced several new products and expected to make an operating profit in the fourth quarter for the first time in more than four years.

PPI had not asked Sansui for funds to help it through its liquidity crisis. "We cannot help. They are just a shareholder, and we have to follow normal business practice. Anyway, we are very small, and the money involved for them is very big."

Nadir cuts fortune with personal asset disposals to free shares

By Clay Harris

MR ASIL Nadir said yesterday that he was selling personal assets to free an unspecified number of Polly Peck International shares which are still held by banks as collateral for loans.

However, he shrugged off the blow to his personal fortune caused by the sharp fall in Polly Peck's share price and the forced disposal of more than 16m of his shares by banks which were holding them as security.

"Money's not relevant to me," said the Polly Peck chairman, who acknowledged on Monday night that he was "urgently addressing" his personal liquidity problems. He said he was now "almost comfortable" with his position.

Mr Nadir claimed his personal wealth was still "eight-fold to ten-fold" the value of his residual 24.41 per cent shareholding. At the suspension price, this implies he is still worth from £900m to more than £1.1bn.

"I have a lot of assets in Turkey and Cyprus," he said.

He spoke both of margin loans – money borrowed to buy shares – and of "collateralised" shares held as security, but declined to specify if both facilities were involved.

All transactions related to personal affairs rather than those of the company, he said.

Midland denies blocking payment

By Richard Waters

MIDLAND BANK was yesterday at the centre of a storm of protest from other banks which claimed that it was the institution which had blocked a $15m (£7.9m) payment to them from PPI Del Monte Fresh Produce, a subsidiary of Polly Peck International.

However, the bank said it had no knowledge of the payment, and that no one had come forward to claim the money if indeed it was caught up in the bank.

Del Monte had intended the money to go to Credit Suisse First Boston, which was acting as the agent for a syndicate of banks to which the money was due. But the money was instead seized by a bank which was acting as an agent in paying the money to CSFB.

The bank is understood to have claimed that it had a right to set the money off against a debt due from PPI itself.

The action has brought strong protests from banks within the syndicate, which are out of pocket as a result. It has also caused considerable concern within Polly Peck, which faces difficulties in its day-to-day operations if it is unable to use normal bank payment channels.

Four people close to the transaction have identified Midland as the bank which seized the payment, although it continues to deny this.

Problems solving insolvency problems

David Owen on the difficulties a Polly Peck administrator would face

IF CURRENT attempts to resolve the liquidity problems of Polly Peck International proved unsuccessful, the group might end up in the hands of administrators appointed under insolvency law.

This would be in an attempt to secure either the survival of all or part of the company as a going concern, or a more advantageous realisation of its assets.

However, administrators who have handled companies of similar complexity and geographic range say such cases pose many problems, and the aims are often hard to achieve.

In cases where administrators are trying to realise the assets, the eventual pay-out tends to be subject to unacceptable delay as assets flow slowly towards the top of the corporate structure. Mr Peter Padmore, of Price Waterhouse and joint administrator of Atlantic Computers, the computer leasing group, has estimated that the process in that case "is going to run right through the 1990s".

The cost of this sort of exercise can also prove unpalatable.

SG Warburg, in its unadopted draft reconstruction proposals for British & Commonwealth, the collapsed financial services group, said that the cost of an administration "may be expected to amount to between 5 and 10 per cent of gross realisations". The administrator's remuneration and expenses are payable ahead of any other claims, except those of creditors with a fixed charge.

The basic purpose of an administration, regardless of its stated objective, is to buy time: to secure a degree of relief from creditors to enable the company's true position to be ascertained and/or to conduct disposals in an orderly manner.

Either way, the administrator's early tasks include determining whether or not the individual companies within the group were solvent. This, in turn, entails having confidence in the group's internal information flows.

As Mr Tim Hayward of KPMG Peat Marwick McLintock points out: "Companies that collapse are generally associated with inadequate information flows." The process would therefore probably entail securing the co-operation of existing management to establish where principal reporting lines lie and despatching staff to major control points.

This would be particularly important with a group as geographically disparate as Polly Peck. An additional complexity in such a case might be provided by the political sensitivity of the group's interests in Turkey and northern Cyprus. "The relationship between any administrator and the Turkish government would be quite likely to be adversarial" is the opinion of one insolvency specialist.

The administrator's status as a court-appointed (as opposed to bank-appointed) official should, however, stand him in good stead during this information-gathering process, according to another specialist.

The solvency of individual companies would depend in part on whether they had relied in the past on parental support and, if so, whether they could survive without it.

"If a subsidiary had net assets of 5m currency units dependent upon a loan or amounts owed by the parent of say 10m units," says Mr John Soden, joint administrator of Atlantic Computers, "you would have to assume that the net worth of that company had been shot to bits because it would be potentially relying on some dividend out of the administration which might be years down the track."

The existence of cross-collateralisation would be a further consideration.

"If you have got a situation where the parent company has guaranteed the local borrowings of a subsidiary, the bank is immediately going to run scared and that may bring down the pack of cards," Mr Soden explains.

The basic purpose of an administration, regardless of its stated objective, is to buy time: to secure a degree of relief from creditors to enable the company's true position to be ascertained and/or to conduct disposals in an orderly manner.

The extent to which trading companies within the group were stand-alone or interdependent in conducting their day-to-day business would also feature in calculations. The position of Polly Peck's three US fresh produce distribution arms might be one case in point, if they were dependent upon the supply of fruit and vegetables from other companies in the group.

"The whole approach is one of protection and trying to ring-fence bits to make sure that any interdependency is eliminated or controlled, so that at least you have manageable chunks," says Mr Soden.

Clearly, this process might result in one or more subsidiaries joining their parent in applying for protection from their creditors. In the case of Atlantic, the parent's main US operating company was eventually forced to file for Chapter 11, in spite of being solvent in terms of its ability to meet its overheads. This was to forestall the efforts of several large creditors to improve their positions at the expense of other creditors.

Having ascertained the general solvency position, the administrator would need to exert control over those bits of the group that it hoped to retain or sell as going concerns. In this respect, it is important to recognise that the position of the parent with regard to its subsidiaries is simply that of the major (or only) shareholder.

Though this confers on the parent the right to make changes in the board of directors, this can seem a position of surprising remoteness. One insolvency specialist recalls, for example, being obliged to exercise control over a UK group's US operations through three intermediate holding companies.

In any case, administrators are often understandably reluctant to assume the responsibilities attached to an overseas directorship. "Frankly, I feel slightly nervous about becoming a director of, say, a US company," Mr Soden says. "At least with a UK company you know what your responsibilities are and what you are supposed to conform with."

In instances where the scent of future management buy-outs is in the air, the administrator may additionally be faced with dealing with directors operating under a palpable conflict of interest.

"There is a conflict in every single MBO," says one insolvency specialist. "The duty of the directors is obviously to safeguard the interests of the shareholders but at the same time they want to go and buy the company. You have got to take things at face value, but clearly you are going to approach the situation with some degree of scepticism."

UK COMPANY NEWS

Hewden Stuart dips 19% to £15.7m

By Clare Pearson

PRE-TAX profits at Hewden Stuart, Britain's biggest independent plant hire company, fell by 19 per cent, from £19.35m to £15.66m, in the half-year to end-July.

Property disposals had contributed £1.3m to profits in the comparable 1989 period, so the fall in trading surplus was 13 per cent. Interest charges were lower at £1.68m (£2.25m) while depreciation amounted to £13.61m (£12.48m).

Earnings per share fell to 5.64p (7.27p). But the interim dividend is lifted by 10 per cent to 0.825p (0.75p) – in keeping, said Sir Matthew Goodwin, chairman, with the strength of the group's financial position. Cash flow remained very strong.

In the first half the group financed capital expenditure of about £20m (£28m). But indebtedness at the end of July amounted to only £17m, compared with nearly £30m at the same point in 1989. Shareholders' funds had increased to £110m.

During the second half capital expenditure was set to continue, though at a lower level, and borrowings were expected to fall, Sir Matthew said.

Turnover was £113.41m (£117.61m). There was a downturn in the merchandising division and other operations in the south also suffered a fall in sales. In other areas, turnover was maintained or increased, though margins came under increasing pressure throughout the summer months.

Trevor Humphries

Sir Matthew Goodwin: strong cash flow

Sir Matthew anticipated there would be a further worsening of conditions in the construction industry. But a number of major projects scheduled to start next year, together with an expected upturn in the housing market, should lead to an improvement in the latter part of 1991 "assuming the world doesn't plunge into recession," he said.

On acquisitions he said "our hands are still deep in our pockets", although he thought opportunities to make well-priced purchases might arise during in the next six months.

● COMMENT

It would be hard to get excited about buying Hewden Stuart's shares just at the moment, but at least if you did you could expect to sleep at night – a luxury not necessarily compatible with other investments in the sector. Hewden Stuart was never going to achieve immunity from the general climate in the construction sector; but these results indicate yet again that it has not been by luck alone that the company has remained a long-term independent player in an industry that has attracted more than its fair share of nine-day-wonders. The only real concern analysts have about it is that Sir Matthew sometimes devotes so much time to observations on the general state of the economy it is hard to steer him back to the nitty-gritty of the results. With pre-tax profits of about £25m in sight for the full-year, the shares stand on a prospective p/e of 7; sound for the longer-term, especially as there may well be a further similar rise in the dividend.

Property decline leads to 8% downturn in Tilbury profits

By Jane Fuller

TILBURY GROUP, which last year narrowly escaped the clutches of Lilley, a rival construction company, saw pre-tax profits fall by 8 per cent, from £10.23m to £9.44m, in the first half of this year.

Mr Michael Bottjer, managing director, said the profit decline had come in property development, English housing and through the loss of revenue after selling Tilbury Estate's tenanted homes in London's East End.

Main developments were Linwood, Scotland, which would absorb about £4m this year, the Aintree retail site, which was contributing a profit, and a new joint-venture project in Bilbao, Spain.

Scotland had led the way in housebuilding, but the English side had continued to languish. The latter only accounted for about 100 units out of up to 600 in a full year.

The construction half of the business performed as last year. The best showing came from mainstream contracting, which was heavily biased towards the public services, including the water companies.

On the specialist contracting side, the workload was building up for the petrochemical industry. The Clough Smith heavy electrical contractor, bought for £7.75m in April, was improving its profitability.

Mr Bottjer said the group had more than £11m net cash, which would be used to expand specialist contracting and property development on the Continent.

Lilley retains a 29.9 per cent stake in Tilbury. One of its supporters in last year's £137m bid was Govett Strategic Investment Trust, which recently sold its 14 per cent investment to Philipp Holzmann, the German construction group. Mr Bottjer said joint ventures were planned with Holzmann.

Operating profit declined 13 per cent to £8.28m (£9.54m) on turnover of £107.1m (£109.86m). Net interest income rose to £1.17m (£690,000).

After a higher tax charge, earnings per share fell by more than 10 per cent to 30.9p (34.5p). The interim dividend is raised to 10.5p (10p).

● COMMENT

In dire times for property and house building, it is comforting to find a group with £11m net cash and no off-balance-sheet debt. Other factors that make Tilbury a safer haven than most are its small exposure to English housing and its good collection of contracting businesses, often serving the more buoyant infrastructure markets. In property development, however, the shortfall will not start to be made up by Linwood and Spanish ventures until next year, with more serious contributions in 1992. Meanwhile, whatever Mr Bottjer's £902,000 remuneration falls to, he will have to work hard for it. If full-year pre-tax profit only declines to £26m (£27.5m), the prospective p/e is 5 which looks cheap bearing in mind a prospective yield of 10.8 per cent. However, the Holzmann move has made a rebid from Lilley less likely, even if it can afford it, leaving uncertainty over a large number of shares.

Nu-Swift up at £17.05m in spite of Sicli sale

NU-SWIFT, the fire protection and cleaning group, lifted pre-tax profits by 4 per cent, from £16.4m to £17.05m, in the first half of 1990.

Following the sale of the holding in Sicli of France, turnover was reduced by £41m, and overall turnover fell to £187.52m (£221.19m). Sicli contributed only £4.07m (£12.84m) profit, but interest received on investing the sale proceeds brought in £9.14m.

Nu-Swift received £184m cash for its holding and the net profit of £115m on disposal was carried as an extraordinary credit.

The UK operation suffered from higher cost of materials and its contribution fell to £2.81m (£3.35m). But trading improvements in the second half are expected to provide satisfactory full year results.

Profit before amortisation of goodwill and tax rose to £18.1m (£17.25m). Earnings per share were 21.73p (19.78p) and the interim dividend is lifted by 1p to 8p.

NEWS DIGEST

TSW comes through tough year

TSW-Television South West Holdings has come through a difficult year with "some satisfaction".

Taxable profits in the year to July 31, after much reduced exceptional charges, surged from £3.19m to £4.7m.

Turnover rose to £44m (£42.4m). TV Times contributed 15 per cent of the increase, programme sales 18 per cent and other income and services 22 per cent.

Tax came to £2.12m (£2.13m) and the exceptional charges fell to £333,000 (£1.5m).

Earnings per share were 13.68p (13.06p) before exceptionals and 12.64p (8.54p) after. The final dividend is 3.77p for a total of 5p (4.15p).

Murray Ventures nav slips to 335.9p

Murray Ventures, the Edinburgh-based investment group, saw net asset value fall from 369.1p to 335.9p at July 31. Taxable revenue was up 55 per cent from £2.43m to £3.77m at the year end.

Underwriting commission rose to £23,384 (£7,796), as did franked income at £3.32m (£2.14m) and unfranked at £914,272 (£736,587). Administration costs were £231,655 (£180,066) and tax took £989,836 (£652,589).

Earnings increased to 11.88p (8.52p) per share. A 6.1p final is recommended, making 9.35p (7.2) for the year.

James Finlay lower in poor tea market

In spite of a £1m turnround in its energy related interests, James Finlay, the overseas trading and financial services group, reported lower pre-tax profits of £4.42m, compared with £4.92m in the six months to June 30.

The shares fell 13p to close at 57p.

There were lower profits in plantations, banking and finance services and confectionery and beverage manufacturing. The company said that the tea market had been poor for the past six months and trading in banking had been difficult.

The state of the tea market, the most important factor in the Finlay's performance, was unlikely to improve, the company added. "But we have been surprised many times before."

The geographic breakdown shows a major move towards the UK, where profits improved from £614,000 to £1.7m. The main falls were in Australasia, down from £914,000 to £108,000 and Africa from £1.98m to £1.47m.

Group turnover was lower at £78.16m (£90.04m). Tax was £2.08m (£2.31m) and minorities took £6,000 (£165,000) for earnings per share of 2.4p (2.9p). An unchanged interim dividend of 2p is declared.

W&R Jacob gains 31% to I£1.49m

W&R Jacob, the Dublin-based biscuit maker and food distributor, reported taxable profits up from I£1.14m to I£1.49m (£1.37m) for the 28 weeks to July 13.

The 31 per cent rise came on turnover of I£32.05m (I£29.78m). The interest charge fell to I£74,000 (I£150,000) though estimated tax increased to I£298,000 (I£155,000).

Earnings rose to 9p (8.5p adjusted for rights issue) and an interim dividend of 3.25p (3p) is declared.

There were good results from two subsidiaries: Irish Biscuits and Golden Glow Nut.

Bridgend more than doubles to £0.43m

Bridgend Group, the wholesale distributor of electrical and electronic products, more than doubled pre-tax profits from £177,000 to £430,000 in the first half of 1990.

Mr Neil List, chairman, said that Brimleys, the group's specialist electrical wholesaler, had been reorganised following the sale of the security division in May 1989. Group turnover fell from £7.34m to £2.7m.

The interim dividend is raised to 0.4p (0.35p) on earnings lifted to 1.66p (0.8p).

The company said contracts had been exchanged to acquire about 165 acres of land adjacent to Stocks Hotel & Country Club, near Tring in Hertfordshire, conditional on outline planning permission for a golf course being obtained.

Little change at Galliford

Profits were little changed at Galliford, the construction group, in the year to June 30. The taxable result rose 5 per cent from £9.78m to £10.31m on turnover up 13 per cent from £197.33m to £223.73m.

The comparable results have been restated to reflect the merger with Hodgeson Group.

Extraordinary costs of £586,000 represented provision against an investment in an overseas offshoot less minorities, plus net profit on the sale of a subsidiary.

Earnings per share were 8.12p (7.95p). The dividend for the year is raised to 4.25p (3.9p), including a final of 3.3p.

Albert Martin shows 36% reduction

Albert Martin Holdings, the clothing manufacturer and distributor, reported pre-tax profits of £454,000 in the first half of 1990, a drop of 36 per cent on last time's £706,000.

Mr Michael Kidd, chairman, said that trading profit had been affected by a higher proportion of turnover and profit falling in the second half.

Trading conditions remained uncertain but sales in the third quarter had shown a substantial increase on the last year.

Turnover was £32.96m (£31.77m). After tax of £161,000 (£159,000) and minorities of £41,000 (£26,000) earnings per share were 1.5p (3.1p). The interim dividend is maintained at 1.6p.

PUBLIC WORKS LOAN BOARD RATES

Effective October 3

Years	Quota loans repaid: by EIP†	AH††	At maturity§	Non-quota loans A* repaid: by EIP†	AH††	At maturity§
1			13⅝			14⅜
Over 1 up to 2	13⅜	13⅛	12¾	14⅜	14⅜	13½
Over 2 up to 3	13	12⅞	12½	14	13⅞	13¾
Over 3 up to 4	12⅝	12⅝	12⅝	13⅝	13⅝	13⅛
Over 4 up to 5	12½	12½	12⅝	13½	13½	13⅛
Over 5 up to 6	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 6 up to 7	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 7 up to 8	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 8 up to 9	12⅜	12⅜	12⅜	12⅞	12⅞	12⅞
Over 9 up to 10	12⅜	12⅜	12¼	12⅞	12⅞	12¾
Over 10 up to 15	12⅜	12¼	11¾	12⅞	12¾	12¼
Over 15 up to 25	12	11⅝	11⅜	12½	12⅛	11⅞
Over 25	11½	11⅝	11¼	12	11⅞	11⅝

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

£2.2m Spanish purchase by Willis Faber

By Richard Lapper

Willis Faber, the insurance broker which next week expects to merge with US broker Corroon & Black, has bought a 40 per cent stake in S&C Correduria de Seguros, a Spanish retail broker.

Willis paid £2.2m cash for S&C, which is based in Madrid and has offices in Bilbao, Seville, Santander and Barcelona.

S&C was established in 1964 and handles most classes of commercial and personal insurance business.

Mr Maurice Kershaw, chairman of Willis Wrightson, has joined the board of S&C as deputy chairman. Mr Jaime Castellanos will continue as chairman and chief executive of the S&C.

The purchase is in line with Willis' aim of expanding its European operations. "It is the first of a number of steps we will be taking," said Mr Peter Stevens, head of corporate affairs.

Until its liaison with Corroon & Black was announced in June, Willis had serviced its clients' European needs via the Unison network of brokers, established with its erstwhile US partner, Johnson and Higgins.

An extraordinary meeting of Corroon & Black shareholders is set to vote on the Willis Corroon merger on October 8.

IN BRIEF

BRITISH TELECOM has sold its 25 per cent holding in Startstream ("The Children's Channel"), to Flextech for £1.65m.

BROADSTONER HOLDINGS, a wholly-owned subsidiary of Sears, raised pre-tax profits by 27 per cent from £6.6m to £8.4m in the six months to July 31 1990. Interest payments put in £6.5m (£6.5m) and other income £1.9m (£100,000).

BROMSGROVE, specialist engineer, has made property disposals totalling £5.08m. These include an office block in Birmingham sold to The Monument Trust Company for £3.5m and part of Bromsgove's freehold industrial site in High Wycombe sold for £185,000.

GKN has sold its automotive aftermarket business in Australia to Echlin of Connecticut. Net proceeds estimated at A$16.7m (£7.3m) which roughly matches net asset value.

JF PACIFIC WARRANT: Net asset value per share at the end of the year to June 30 stood at $18.8, against $16.4 adjusted. Interest on deposits rose from $34,431 to $219,795 (£116,293) and investment income was $6,637 ($26,526). After tax of $52,426 ($39,768) deficit for year increased to $1.83m ($1.7m). Directors plan a free issue of ordinary shares and warrants.

MERCHANT MANUFACTORY Estate Company, as part of its rationalisation, is selling two freehold investment properties; one at Mitcham for £2.25m and another, in Fulham, for £6.25m. In addition, Mr Ian Caunt, the London-based finance director, has resigned and other directors have agreed to reductions in their renumeration.

VENTURI INVESTMENT Trust, which was listed in April, reported net asset value of 5.23p per ordinary share, 25.52p per income share and 199.02 per capital indexed share at September 30 1990. Six-month income was £153,686 after £43,783 tax and earnings per share 1.8p. Interim dividend is 1.3125p.

WELSH INDUSTRIAL Improvement Trust: Pre-tax profits amounted to £103,616 (£23,607) and earnings 5.71p (1.01p) per 5p share for year to April 5 1990. The single final dividend is 4p (1p).

COMMODITIES AND AGRICULTURE

EC Commission presents united front on reforms

By Tim Dickson in Brussels

STAUNCH EFFORTS were made yesterday to defend the European Commission's long awaited proposals for cutting back global farm supports, and to play down recent personality clashes in Brussels.

EC officials were at pains to emphasise that the 17 commissioners meeting late on Wednesday evening had unanimously supported the ideas of Mr Raymond MacSharry, the Irishman who handles the agriculture portfolio, though the final text shows some modifications made at the behest of Mr Frans Andriessen, the Dutchman in overall charge of the Uruguay Round negotiations.

How significant these are depends on who you listen to in Brussels – a sign perhaps *that the squabbling is far from* over – but at first glance the overall package would still appear to fall well short of what is being demanded by the US and the so-called Cairns Group (including Australia and *New Zealand*). *The US is expected soon to call for a 70 per* cent cut in farm subsidies, as opposed to the 30 per cent envisaged under *the EC plan*.

The main outline of the Commission's approach was *already well known from ear*lier announcements and leaks – but the accompanying table spelt out for the first time the implications for each of the main product sectors. It shows, for example, that the EC's offer *takes 1986 as the base year* and that support according to the EC's calculations has already been reduced by 10 per cent in the arable sector and 15 per cent in the livestock sector.

Annual reductions in the EC's so-called Aggregate Measurement of Support – total price support, direct support and input subsidies added up into one total monetary figure – will range from 4 per cent a year for cereals to 7.8 per cent for oilseeds and protein crops between now and 1995.

Aggregate Farm Price Support in the EC (million Ecus)

	In 1986	In 1990	Offered for 1996	Annual support cut to achieve target (%)
Cereals	15,621	12,424	10,935	4.0
Olive oil	3,093	3,177	2,165	7.4
Oilseeds and protein crops	3,047	3,198	2,133	7.8
Sugar beet	2,898	2,534	2,029	4.3
Livestock	40,701	36,227	28,491	4.7

Source: EC Commission

As expected the 1986-96 reduction will be 10 per cent for other sectors such as fruits, *vegetable and tobacco* under the EC offer.

Much attention yesterday was focused on the final wording of the more detailed aspects of the Brussels package – apparently the subject of *extensive discussion on* Wednesday night.

Little appears to have been changed on the proposal for "tariffication" – *the idea of* replacing the EC's existing variable import levies and *other non-tariff measures by a* tariff equivalent comprising a fixed element accompanied by a "corrective factor" to take account of world market fluctuations beyond certain limits and to compensate for cur*rency fluctuations. It was* explained yesterday that the fixed component is "in most cases well below" the existing level of variable levies.

On "rebalancing" – the buzz word for Brussels' proposal to introduce protection against outside imports of cereals substitutes, derivatives and oilseeds – there is some evidence that Mr Andriessen softened the original MacSharry proposal. Thus tariff quotas for these products – on which customs duties will be introduced gradually over a 6-year period – will be based on average import levels during *1986-88 increased by 8 per cent.*

Much of the speculation, however, centred on the Commission's offer on export subsidies – the payments to traders that bridge the gap between Community prices and world *market prices and enable the* EC to dispose of its surpluses. Mr MacSharry has always said that these so called refunds – much hated by the EC's trading partners – will come down automatically as EC internal *support is reduced.*

On top of this the Commission is proposing "the reinforcement of the rules and disciplines" applicable to export subsidies "and in particular that export subsidies should *not exceed the amount charged* on import" (from outside the EC). Some yesterday saw this as a hint of later flexibility as well as Brussels' readiness "to quantify the measures flowing from the above measures" and its undertaking that "in the course of negotiations and in the light of these results the Community will be able to re-evaluate this quantification."

The mud and misery of Soviet agriculture

Peasants are harvesting sodden crops with their bare hands, writes **Quentin Peel**

ON THE battlefield of Borodino, today just rolling green grass where a handful of horses graze around the grave of Prince Bagration, men once fought with bare hands and bayonets in the bloodiest confrontation of the Napoleonic wars. If you glance past the iron-and-gilt memorial, commemorating up to 80,000 soldiers who died on that day in 1812, you will see the sorry fields of the Borodino collective farm, dotted with sodden haystacks in the pouring rain. They are almost a fitting monument themselves to the demise of Soviet agriculture.

SOVIET FARMERS are still badly behind targets for grain sales to the state, a senior official said yesterday, writes Leyla Boulton. Mr L. Tkachuk, deputy director of the State Committee for Food Procurement, said that state and collective farms had delivered just 64.5 per cent of state purchasing orders as of September 24. Izvestia, the government daily, quoted unnamed experts as saying that the state could expect to receive only 67m tonnes, or 78 to 79 per cent of the grain the farms had contracted to sell to it. The newspaper blamed the absence of a market economy for farmers' failure to deliver the grain despite increases of up to 90 per cent in the state purchase price.

Five weeks of miserable weather have reduced the peasants of the Borodino collective, 75 miles from Moscow, to harvesting potatoes and beet with bare hands, lacking equipment *able to operate in the mud*. A few fields of maize and barley lie abandoned. When the frosts come maybe 10 per cent will be saved.

They are waiting for emergency assistance from Moscow – *for students or soldiers or* workers or anybody who might come to lend a hand to save the crops. Yet already it may be too late. "The old people don't remember having such bad weather ever before," says *Mr Viktor Lapkin, the 44-year*-old chairman of the collective. "We won't have enough animal feed for our cows this winter, and we are simply unable to gather the potatoes at all.

"For the whole month, every day it has rained. Not a single machine can go through these fields. We still have maize to harvest and the other grain. There are 200 hectares left.

"As for the potatoes, they will be impossible to store. If you collect them now, they might keep two months. But no technique is possible now except using hand tools."

It is a bitter irony for the collective farm workers of Borodino, and all the farms of the Moscow region, that just when they are supposed to be going through a traumatic reorganisation of agriculture, they should be devastated by bad weather. For Mr Lapkin, an energetic agricultural engineer and a people's deputy in the national parliament, believes all the changes under way will mean a drop in production before any improvement.

"Of course production is falling," he says. "Any breaking of rules makes a decrease in production inevitable. Especially when what we are doing is a very fundamental change of the rules."

On the other hand, he seems to have a clear idea of the sort of revitalised collective farm system of the future. The biggest problem is in persuading the lethargic peasantry to go along with it. "We are trying to return to where we came from," he says, "to organise a genuine collective farm, where every peasant gives his plot to the development of the whole co-operative. The collective farm will be a union of small, independent peasant units."

The 3,000-hectare collective produces milk, meat, cattle feed and potatoes. It has 400 workers, includes 12 small villages, and of course, the Borodino battlefield, with no less than 70 monuments to the men who died fighting Napoleon in 1812 and the Werhmacht in 1941.

Mr Lapkin believes peasants who want their own land should be allocated up to 10 hectares each, and be encouraged to combine in small units of 15 to 20 together. Apart from the *land, they will be allocated* shares in the capital funds of the collective – currently valued at some R6m.

The collective itself will exist to give technical advice, service machinery and set up *some food processing plants*. A meat processing shop, a baby milk production unit, and a co-operative for silage and hay production are planned.

Yet changes so far are very modest. Five small groups of workers (eight in one, five in another, three in a third) have taken leases on land, and are now fattening calves for the rest of the collective. But the big changeover to the new system depends on a mass meeting of the collective workers to be held next February.

"Not everyone wants to go this way," Mr Lapkin admits. "Those who want to work and live will agree. Those who don't, won't agree to anything. Whatever conditions we offer them, they won't work."

The current system, he admits, destroyed all incentive. "We tried to take the land off the peasants. They thought you should work on the land in the same way you work in a factory. That was a most dangerous idea.

"Work on the land demands another approach: it demands *inheritance of land*, the transfer of experience from one generation to another."

At the entrance to the collective farm headquarters – a dilapidated single-storey building, in a similar state of disrepair to most *of the farm* buildings – stands a slogan to the new ideology: "Land needs a master – not for one day, not for two, but for his whole life."

Yet Mr Lapkin is ambiguous on the issue of land ownership – reflecting the confusion over property that goes all the way up to President Mikhail Gorbachev himself. "We must have ownership of land," he says. "Without owning the land, nothing will work. On the other hand, buying and selling the land should be controlled by the state, by the local soviet."

He sees land ownership as a form of leasehold, with any transfer other than inheritance subject to the veto of the local soviet (the district council). A freehold property market, he fears, would simply open the way to speculators, exploitation and the urban mafia: they would buy up the land, and return the peasants to a state of serfdom.

"The idea now is that the peasants don't have money, and cannot buy their land. That is why there should be certain rules and regulations. The people who have the privilege to buy the land should be those who live nearby. Now the money is with the black mafia. (In a free market) They *will buy the land and* make people work for them as slaves."

Uncertainty about land ownership is one grey area. Another is whether the collective farm mentality is really *changing*. Drive a few miles back down the road to Mozhaisk, and you pass a big new village complex where urban-style apartments are being built for the farm workers. In contrast to the desire to return the peasant to his land, the old urge to centralise still seems to predominate.

Mr Lapkin is convinced he has to offer good facilities, not least because he is desperate to attract some young blood back from the cities. The rural population is rapidly ageing and he maintains that 400 workers on 3,000 hectares are not enough.

Ironically, the current collapse of the Soviet economy could be a blessing in disguise. At least temporarily, it could transform the terms of trade in favour of agriculture, with food shortages leaving the impoverished countryside far better off than the starving cities.

On the other hand, if the reforms do not work fast enough, there is always the battlefield of Borodino. Thanks to glasnost, perhaps tourism will work where farming fails. But it will hardly help the poor Soviet consumer.

Shearson predicts lower prices for lead and zinc

By Kenneth Gooding, Mining Correspondent

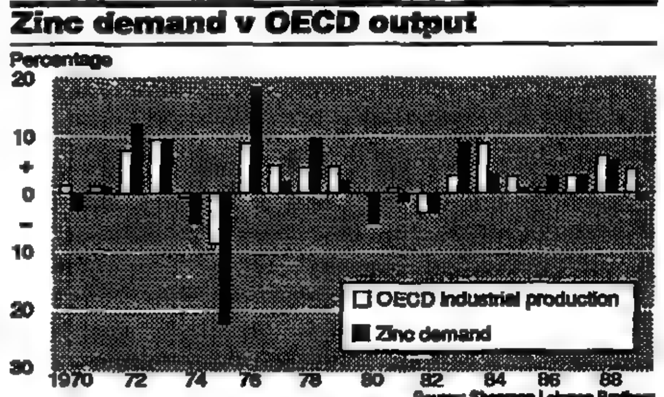
THE OUTLOOK for base metals demand has been dimmed by the Gulf crisis but there is unlikely to be be a repetition of the previous oil-associated recessions, in 1974-75 and 1979-82, when prices fell sharply and remained depressed.

This is the main conclusion in Shearson Lehman Brothers' latest annual review of the lead and zinc industries.

Shearson's economists are more pessimistic than most and are forecasting recessions in the US, Canada, Australia and the UK as well as much slower economic growth in Japan and Germany. They suggest this will cut economic growth in the OECD countries from 2.5 per cent this year to only 0.8 per cent in 1991. This will lead to little or no growth in base metals demand, suggests the author, Mr Neil Buxton.

However, in contrast to past

Zinc demand v OECD output



Source: Shearson Lehman Brothers

recessions, there will be at least some growth, he predicts.

As for base metals, the outlook is not as black as in the 1970s because the newly industrialised countries now account for a bigger proportion of total metals demand; substitution will not be as severe as in previous oil shocks; capacity utilisation rates are higher and supply problems are likely to remain a feature; and stocks will will be rebuilt.

But Mr Buxton emphasises that the 3-year bull market in metals has certainly ended and prices are *now heading down*.

"As the tightness in metals supply eases, or is perceived to ease, there is scope for prices to fall quite sharply."

The London Metal Exchange zinc cash price in Shearson's "best case" estimate is forecast to average 72 US cents a lb this year, 59 cents next year and 62 cents in 1992. The average LME lead cash price is forecast to be 38 cents a lb this year, 30 cents next year and 32 cents in 1991.

Mr Buxton warns that the forecasts are based on the assumption that oil will average about US$27 a barrel next year and if that proves to be optimistic, lead prices could average less than 25 cents a lb and zinc about 45 cents.

Shearson sees production of refined zinc this year falling from 5.22m tonnes in 1989 to 5.184m tonnes but rising to 5.36m tonnes next year and to 5.435m tonnes in 1992. Consumption is predicted to fall *this year to 5.176m tonnes from* 5.213m tonnes last year but move up to 5.255m tonnes in 1991 and to 5.455m tonnes the following year. Zinc stocks, forecast to represent only 5.8 weeks of consumption this year, will rise to 6.5 weeks in 1991 but to be back at 5.9 weeks in 1992.

Refined lead output, 4.412m tonnes in 1989, is predicted to go to 4.456m tonnes this year, to 4.55m tonnes in 1991 and to 4.652m tonnes in 1992. Consumption, 4.433m tonnes last year, is forecast to move to 4.464m tonnes this year, to 4.482m tonnes in 1991 and to 4.625m tonnes in 1992. Lead stocks will represent a minimal 4.1 weeks of consumption this year, *Shearson suggests*, rising to 4.6 weeks next year and easing to 4.5 weeks in 1991.

Annual review of the world lead and zinc industries: 1990. £500 or $1,000 from Shearson Lehman Brothers, 1 Broadgate, London EC2M 7HA.

Lower world coffee crop predicted

WORLD COFFEE production is likely to fall to 91.7m bags (60 kg each) in 1990-91, from 93.08m in 1989-90, according to F.O. Licht, the German commodity statistics agency, reports Reuters from Ratzeburg.

Licht's first forecast for 1990-91 is based on national crop years. Arabica output is seen falling to 65.16m bags from 67.33m while robusta production is forecast to rise from 24.75 bags to 26.54m. This *means* that for the third year in succession output is likely to fall below consumption, Licht says. It projects demand at about 96m bags. The decline primarily reflects a projected fall in Brazilian output to 22m bags, *from 23.6m.*

Surplus fears 'depress world sugar market'

SUGAR PRICES have been under pressure for the past month from the lack of physical offtake and the prospect of a supply surplus next season, according to the latest Sugar Report from E.D. & F. Man, the London broker,writes David Blackwell.

Yesterday the London Daily Price for raws fell to $255.80 a tonne – the lowest level since February last year – following Tuesday's fall below 10 cents a lb for New York futures.

Man points out that a year ago preliminary figures suggested a substantial deficit of supply against consumption for 1989-90, although reservations were expressed about consumption forecasts.

"A year later, with the break up of the Socialist hegemonies of East Europe and the Gulf crisis, consumption prospects look far less encouraging whilst the quick response of the producers, particularly in the EC, has encouraged a potential 2.5m tonne increase in total world production," says the report.

It suggests that the market may remain under speculative selling pressure, particularly in the absence of major buyers for raws.

"The bearishness of the fundamentals, however, should not be exaggerated as the potential to add the forecast production surplus to stocks, particularly in the EC, should prevent the build-up of exportable surpluses."

WORLD COMMODITIES PRICES

MARKET REPORT

Cash lead rose sharply on the LME yesterday, reflecting increasing tightness of supplies. A premium for cash metal over three-month of £9.50 a tonne emerged, following Wednesday's discount of £2.50. The market's move away from the £405/£410 support band was also constructive, encouraging trade enquiry, which was absent during the recent decline. Zinc prices absorbed earlier profit-taking and merchant selling during late afternoon trading with prices returning to the day's highs to close firmer, traders said. Dealers said that underlying consumer demand was helping to maintain zinc's technical rally. Chartists are looking for a test of $1,400/$1,420 a tonne. Copper prices moved ahead – traders said the market was trying to consolidate after rallying on general short covering from Wednesday's lows, which were established by influential trade house selling against options positions. On the London bullion market gold ended a brisk afternoon session on a firmer note after the record fall of the dollar against the D-mark, dealers said. It reached $399.25 a fine ounce before profit-taking emerged.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$31.85-1.95y	+0.80
Brent Blend (dated)	$37.40-7.50	+1.32
Brent Blend (November)	$36.35-6.45	+1.30
W T I (1 pm est)	$36.85-6.90y	+1.44
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$416-421	+8
Gas Oil	$336-338	+14½
Heavy Fuel Oil	$142-144	+7½
Naphtha	$375-380	+1½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$397.00	+6.50
Silver (per troy oz)♣	472c	+2
Platinum (per troy oz)	$446.0	+2.9
Palladium (per troy oz)	$99.00	-0.20
Aluminium (free market)	$1985	+30
Copper (US Producer)	136c	+4
Lead (US Producer)	45c	
Nickel (free market)	482c	+19
Tin (Kuala Lumpur market)	16.31r	-0.10
Tin (New York)	299c	-1
Zinc (US Prime Western)	73c	
Cattle (live weight)†	101.20p	-0.31*
Sheep (dead weight)†	124.73p	-1.06*
Pigs (live weight)†	74.41p	-3.40*
London daily sugar (raw)	$255.8v	-8.8
London daily sugar (white)	$304v	-5
Tate and Lyle export price	£243.5	-5.5
Barley (English feed)	£116.87y	-0.13
Maize (US No. 3 yellow)	£157	+2
Wheat (US Dark Northern)	£90	
Rubber (Nov)♥	52.00p	-0.25
Rubber (Dec)♥	52.25p	-0.25
Rubber (KL RSS No 1 Nov)	238.5m	
Coconut oil (Philippines)§	Unq	
Palm Oil (Malaysian)§	$285y	
Copra (Philippines)§	$192.5t	-6.0
Soyabeans (US)	£146.5	+2.5
Cotton "A" index	80.40c	-0.35
Wooltops (64s Super)	436p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Dec. u-Oct/Dec v-Oct/Nov. w-Oct z-Aug/Sep y-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	230.00	231.00	230.00	224.00
Mar	222.20	220.40	222.00	216.00
May	223.40	222.00	223.40	222.40
Aug	225.60	223.60	224.20	220.00
Oct	223.60	222.80	223.00	220.00
Dec	230.00	222.00	221.00	
Mar	228.00		225.00	222.60
White	**Close**	**Previous**	**High/Low**	
Dec	300.5	298.0	300.5	297.0
Mar	299.0	297.0	299.0	295.0
May	299.0	297.0	298.2	294.5
Aug	305.5	304.5	302.5	302.0
Oct	299.0		298.4	295.0
Dec	298.5		297.9	294.0
Mar	300.5		298.0	295.0

Turnover: Raw4507 (2203) lots of 50 tonnes. White 2129 (5118)
Paris- White (FFr per tonne): Dec 1545 Mar 1548, May 1550, Aug 1568, Oct 1558

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Nov	35.92	36.62	37.35	35.80
Dec	34.80	34.95	36.85	34.25
Jan	33.10	34.10	34.54	33.00
Feb	32.00	33.00	32.55	32.53
IPE Index	35.21	35.63		

Turnover: 14405 (16528)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	329.50	316.00	332.00	323.00
Nov	318.25	307.75	324.00	314.00
Dec	311.25	300.50	316.00	306.00
Jan	303.00	289.50	303.00	298.00
Feb	288.00	272.25	288.00	284.00
Mar	267.00	255.00	268.00	264.50
Apr	257.25	247.00	258.00	257.00
May	258.00	245.00		
Jun	254.00	243.00		

Turnover 15372 (14343)lots of 100 tonnes

FRUIT & VEGETABLES

French Golden Delicious apples are abundant this week at 35-45p a lb (35-45p), reports the FFVIB. Bananas are plentiful at 40-55p a lb together with grapefruit at 20-40p a each (20-40p). Italian Italia grapes are a best buy at 80-90p a lb (80-90p), as are English Conference pears at 45-65p a lb (40-55p). Red and white cabbage is this week's best buy at 20-30p a lb (20-30p), with Primo and Celtic varieties at 20-35p a lb. Cauliflowers are stable at 45-65p each as are onions at 12-20p a lb. English celery at 35-45p a head (35-45p) remains a best salad buy as are Spring onions at 25-35p a bunch and tomatoes at 45-70p a lb.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	727	727	729	717
Mar	786	786	786	736
May	785	780	787	780
Jul	802	806	809	801
Sep	829	826	825	
Dec	856	854	865	
Mar	[illegible]	877	874	

Turnover: 2408 (4312) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 3 982.38 (955.17) 10 day average for Oct 4 973.94 (974.00)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Nov	600	597	607	598
Jan	618	613	625	615
Mar	611	612	630	608
May	624	628	630	621
Jul	639	640	644	640
Sep	655	655	654	
Nov	673		671	670

Turnover: 5981 (4254) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 3: Comp. daily 74.49 (74.04). 15 day average 74.46 (74.57)

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Apr	143.7	145.3	144.5	143.5
May	160.5	161.0	160.0	159.0

Turnover 155 (223) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Dec	116.00	113.50	116.00

Turnover 21 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Oct	1218	1220	1230	1210
Nov	1273	1270	1275	1260
Jan	1265	1259	1270	1255
Apr	1260	1248	1260	1245
BFI	1155	1163		

Turnover 494 (385)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	114.65	114.40	115.00	114.50
Jan	118.75	118.60	118.95	118.60
Mar	122.40	122.25	122.65	122.30
May	125.70	126.80	126.00	125.70
Jun	127.35		127.50	
Barley	**Close**	**Previous**	**High/Low**	
Nov	112.45	112.45	112.65	112.35
Jan	116.80	116.70	116.85	116.80
Mar	120.00	119.80	120.00	119.95
May	121.15	120.85		

Turnover: Wheat 359 (186). Barley 65 (108).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	100.5	101.0	100.0	
Nov	100.5	101.5	100.5	100.0
Jan	93.0	93.0		

Turnover 24 (25) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 11,130 lots
Cash	1887-92	1887-90	1900/1868	1890-1		
3 months	1840-2	1835-40	1860/1840	1838-9	1836-40qq	74,278 lots
Copper, Grade A (£ per tonne)						Total daily turnover 25,898 lots
Cash	1505-10	1484-6	1515/1502	1512-3		
3 months	1445-6	1432-3	1458/1440	1447-8	1440-1	112,042 lots
Lead (£ per tonne)						Total daily turnover 2,737 lots
Cash	430-2	412-4	430/419	428-30		
3 months	421-2	415-6	426/412	424-5	420-1	11,185 lots
Nickel ($ per tonne)						Total daily turnover 2,392 lots
Cash	9650-700	9650-700	9800	9775-825		
3 months	9225-50	9250-75	9525/9225	9375-400	9300-50	9,042 lots
Tin ($ per tonne)						Total daily turnover 852 lots
Cash	6215-35	6170-80		6320-5		
3 months	6250-70	6230-40	6360/6270	6350-60	6250-70	8,805 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 1,549 lots
Cash	1409-5	1365-70	1400/1400	1400-1		
3 months	1387-90	1365-7	1396/1360	1378-80	1393-5	19,250 lots

LME Closing £/$ rate: SPOT: 1.9115 3 months: 1.8807 6 months: 1.8497 9 months: 1.8270

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	396¾-397¼	207¾-208¼
Opening	393¾-394¼	207-207½
Morning fix	392.75	206.874
Afternoon fix	395.75	207.394
Day's high	399-399½	
Day's low	392½-393	

Coins	$ price	£ equivalent
Maple leaf	408-411	212-215
Britannia	408-411	212-215
US Eagle	408-411	212-215
Angel	408-411	212-215
Krugerrand	396-399	207-209
New Sov.	93-95	48½-50
Old Sov.	93-95	48½-50
Noble Plat	451.30-458.50	236.30-240.04

Silver fix	p/fine oz	US cts equiv
Spot	247.50	471.00
3 months	256.60	480.40
6 months	265.45	489.80
12 months	282.35	508.95

TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
580	31	75	1	8
600	15	42	15	27
650	2	21	52	54
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	50	99	23	33
750	28	71	49	65
800	12	51	85	95

Brent Crude	Nov	Dec	Nov	Dec
3600		300		
3650				
3700	115	280		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	392.3	385.9	397.0	395.2
Nov	394.5	396.1	0	0
Dec	396.9	398.5	403.4	394.2
Feb	401.0	402.8	407.5	399.0
Apr	404.9	406.5	410.0	403.7
Jun	409.0	410.6	414.0	410.0
Aug	412.8	414.4	412.0	412.0
Oct	417.0	418.8	0	0
Dec	421.3	423.2	423.0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	442.1	438.6	443.0	438.5
Jan	447.8	444.9	449.5	443.5
Apr	453.8	450.9	454.0	452.0
Jul	459.0	456.2	0	0
Oct	464.5	461.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	466.8	469.0	471.0	466.0
Nov	469.1	471.4	0	0
Dec	473.0	475.3	478.5	471.1
Jan	475.3	477.8	0	0
Mar	483.3	485.8	486.5	482.0
May	490.1	492.4	496.0	490.0
Jul	497.1	499.4	500.0	496.8
Sep	504.5	506.8	508.5	508.5
Dec	514.8	517.1	519.0	519.0
Jan	518.0	520.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	129.85	130.00	131.40	129.40
Nov	124.85	125.00	125.00	124.85
Dec	120.60	121.00	122.80	120.40
Jan	117.70	118.30	118.20	118.00
Mar	113.10	113.60	114.80	113.00
Apr	111.80	112.35	0	0
May	110.35	111.00	110.90	110.40
Jun	109.05	109.70	0	0
Jul	107.75	108.40	109.20	108.00
Aug	106.50	107.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	36.93	37.32	38.25	36.30
Dec	35.62	36.17	37.15	35.25
Jan	34.28	34.82	35.55	34.00
Feb	33.14	33.64	34.20	32.90
Mar	31.97	32.58	33.00	31.60
Apr	30.89	31.58	31.70	30.50
May	29.91	30.62	30.75	30.00
Jun	29.02	29.77	29.80	29.10
Jul	28.25	29.02	28.90	28.15
Aug	27.61	28.39	28.20	27.70

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	9992	9941	10285	9900
Dec	10057	9977	10350	9960
Jan	9982	9908	10225	9875
Feb	9627	9458	9725	9458
Mar	9072	9008	9225	9000
Apr	8617	8558	8900	8580
May	8292	8558	8600	8180
Jun	8092	8258	8150	7960
Jul	8002	7968	8100	7930
Aug	8052	8018	8120	8130

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1267	1245	1274	1244
Mar	1316	1295	1319	1297
May	1343	1322	1348	1340
Jul	1373	1352	1375	1375
Sep	1408	1387	1405	1405
Dec	1446	1426	0	0
Mar	1471	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	93.15	94.10	94.85	92.50
Mar	96.40	97.40	98.15	96.15
May	98.75	99.75	100.35	98.05
Jul	100.75	101.25	102.00	100.50
Sep	102.15	102.60	103.65	102.00
Dec	104.75	105.75	106.50	105.50
Mar	106.60	107.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.82	9.82	9.92	9.83
May	9.91	9.86	9.95	9.70
Jul	9.91	9.85	9.98	9.71
Oct	9.86	9.89	10.00	9.78
Mar	9.93	9.90	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	70.62	71.25	70.75	70.95
Dec	71.84	72.03	72.30	71.85
Mar	72.81	72.72	73.05	72.56
May	73.30	73.35	73.55	73.10
Jul	73.40	73.40	73.85	73.40
Oct	68.67	69.15	69.05	68.97
Dec	67.70	67.77	67.85	67.65

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	138.40	138.80	139.50	137.25
Jan	136.80	136.95	136.70	135.20
Mar	137.00	137.05	137.05	135.80
May	136.75	137.00	137.25	135.50
Jul	136.75	137.00	135.50	135.50

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 4	Oct 3	mnth ago	yr ago
1765.0	1767.2	1812.2	1856.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 3	Oct 2	mnth ago	yr ago
Spot	128.53	128.64	130.10	129.64
Futures	131.31	130.59	133.58	131.28

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	617/6	620/0	624/2	617/0
Jan	631/4	634/4	638/2	631/0
Mar	644/0	647/2	650/2	643/4
May	653/6	658/2	660/4	653/4
Jul	661/2	664/6	668/0	661/0
Aug	655/0	657/4	660/4	653/0
Sep	627/0	631/0	635/0	627/0
Nov	618/0	620/2	621/4	615/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	22.18	22.40	22.48	22.15
Dec	22.58	22.88	22.89	22.51
Jan	22.82	23.00	23.10	22.81
Mar	23.28	23.48	23.55	23.26
May	23.60	23.79	23.85	23.60
Jul	23.85	23.96	24.05	23.81
Aug	23.75	23.95	24.05	23.75
Sep	23.65	23.82	23.85	23.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	183.6	183.5	185.5	182.6
Dec	187.7	188.4	190.5	187.3
Jan	189.0	189.7	192.0	188.7
Mar	191.0	191.4	193.5	190.7
May	191.5	192.2	193.5	191.0
Jul	191.5	192.0	194.0	191.5
Aug	190.0	190.5	192.5	190.0
Sep	186.7	188.0	189.0	186.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	230/6	229/0	231/4	229/0
Mar	240/2	238/4	240/6	237/6
May	246/0	244/0	246/2	243/6
Jul	249/4	247/6	249/6	247/2
Sep	246/4	245/4	247/0	244/4
Dec	249/0	248/0	249/4	246/6
Mar	255/4	254/0	255/4	254/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	275/0	274/2	275/2	273/0
Mar	289/0	288/2	289/2	287/2
May	295/6	295/4	296/0	293/6
Jul	300/4	300/4	301/0	298/4
Sep	304/4	306/0	305/0	303/0
Dec	313/4	315/4	315/6	313/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	79.75	79.82	80.12	79.55
Dec	76.72	76.85	77.30	76.52
Feb	75.02	75.35	75.65	74.80
Apr	75.87	76.02	76.25	75.85
Jun	73.37	73.45	73.60	73.00
Aug	71.60	71.80	71.80	71.57
Oct	71.75	71.95	72.00	71.75

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	57.25	58.60	57.55	56.67
Dec	55.32	55.57	56.10	55.10
Feb	52.15	52.77	53.15	51.90
Apr	48.52	49.15	49.50	48.45
Jun	51.87	52.35	52.50	51.75
Jul	52.10	52.50	52.55	52.00
Aug	50.75	50.75	50.80	0
Oct	46.10	46.10	46.10	46.10

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	64.45	64.20	64.90	63.30
Mar	64.25	64.07	64.60	63.25
May	64.22	64.67	64.47	63.05
Jul	63.60	64.45	64.20	62.82
Aug	62.50	62.50	0	0

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LONDON STOCK EXCHANGE

Global trends bring back pessimism

THE VOLATILE mood of the London market switched back towards pessimism yesterday as both New York and Tokyo lost their recent buoyancy and concerns over property and corporate loan losses in the UK returned to unsettle the domestic scene. Renewed rises in crude oil prices, following disturbing reports from Iraqi-occupied Kuwait, caught London by surprise and encouraged profit-taking in equities ahead of today's closing of the trading account.

An irregular opening to the new Wall Street session left the UK market close to the day's low, with the final reading of 2,070.4 on the FT-SE Index showing a net loss of 16.6 on the session. The final downward twist came from selling of Reuters shares in London after the stock was downgraded, reportedly by one of the electronic communication group's joint broking firms. Also weak was the Water Package which could face competition when the privatised electricity stocks are due to begin trading before the end of the year.

The market's mood yesterday was in contrast to the brighter tone of equities earlier this week which has seen the stock market recover by about 4 per cent. Wall Street's fall of 15 Dow points overnight was particularly disappointing for London in view of the encouraging comments from the chairman of the Federal Reserve Board on plans to cut the US budget deficit; the 571 point fall in the Nikkei Average had a similarly depressing effect in London.

However, share prices quickly rallied from early losses to edge ahead on the back of several minor trading programmes and some bear closing by market traders wanting stock to meet selling commitments before the end of the account.

The improvement proved short-lived, however, and shares slid lower again as further hints of trouble in the domestic property sector were revived in a market also unsettled by signs of liquidity pressures on some international publishing groups. Shares in UK Land, a property group owning a major shopping centre in south London, virtually halved at one stage in speculative activity in a thin market.

London reached the day's low point when Wall Street came in sharply off before rallying to show a gain of 7 Dow points as London went home for the day. Trading volume improved, with 421.3m shares moving through the Seaq system, against 389.9m on Wednesday. However, dealers stressed that trading was still very difficult and that share prices were reacting sharply to even small trading orders.

The futures market played a subdued role, leaving the underlying equity market to take the strain today of the ending of the two-week trading account.

Account Dealing Dates

*First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Oct 4	Oct 3	Oct 2	Oct 1	Sept 28	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	78.60	78.45	78.47	78.25	78.09	84.14	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.53	88.49	88.49	88.41	88.88	95.01	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1601.3	1619.0	1594.7	1579.0	1535.7	1888.2	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	182.2	184.3	184.8	188.8	200.7	209.2	376.5 (9/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2070.4	2087.0	2058.5	2030.8	1990.2	2281.6	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.94	5.87	5.97	6.07	6.21	4.38				
Earning Yld % (full)	12.44	12.31	12.51	12.71	13.02	10.53				
P/E Ratio(Net)(*)	9.74	9.85	9.68	9.53	9.31	11.44				
SEAQ Bargains 4.45pm	17,261	17,845	20,458	18,393	17,564	25,078				
Equity Turnover(£m)†		615.16	723.72	561.10	734.09	924.87				
Equity Bargains†		15,839	19,355	17,167	18,427	24,653				
Shares Traded (mil)†		322.1	334.6	264.1	331.0	405.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. © Nil 9.59

Ordinary Share Index, Hourly changes — Day's High 1621.2 — Day's Low 1599.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1615.8	1620.5	1615.8	1610.4	1603.9	1601.9	1602.0	1605.6	1599.5

FT-SE, Hourly changes — Day's High 2090.6 — Day's Low 2069.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2085.2	2089.9	2083.8	2077.0	2070.9	2070.1	2072.1	2078.3	2069.8

GILT EDGED ACTIVITY

Indices*	Oct 3	Oct 2
Gilt Edged Bargains	81.3	93.7
5-Day average	93.8	94.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Reuters hit by forecasts

A downgrading, believed to be by one of the company's UK brokers, was seen as the main reason why Reuters suffered a sharp fall of 42 to 772p on turnover of 3.3m. Cazenove, which is joint broker with Hoare Govett, was widely thought to have downgraded its 1990 and 1991 profit estimates. Other securities houses also cut forecasts for the electronic markets service group.

Cazenove refused to comment on the reported change in forecasts, but rival securities houses claimed it had moved its 1990 figure from £340m to £335m and its 1991 figure from £420m to £385m; it was the 1991 figure which raised the alarm. Some analysts said Cazenove had initially placed its estimates too high and was merely bringing them in line with the market.

S.G. Warburg moved its 1990 estimate back by £4m to £335m and its 1991 forecast down from £395m to £390m. Several houses said Goldman Sachs had moved down its estimates on Reuters, but Goldman refused to comment.

Turnover in New York was also heavy, and the stock had registered an 8 per cent drop by Wall Street's midday.

STC active again

Speculation that STC, the telecoms/electronics group, may attract a break-up bid or a straightforward takeover attempt continued to drive the shares higher. At the close, STC shares were 5 ahead at 271p, having touched 275p; turnover reached 5m shares.

The stock has risen consistently since mid-September, amid market suggestions that the cash-rich group may attract the attentions of, among others, 27.2 per cent shareholder Northern Telecom, France's Alcatel or Germany's Siemens. The market yesterday was full of stories that Alcatel could be looking to acquire STC's submarine cables business for around £300m.

Together with the £780m cash which STC is due to receive from Fujitsu for the sale of an 80 per cent stake in ICL, this would give STC a cash mountain approaching £1bn. Market rumours had it that Northern Telecom would then move in with a bid for STC, sell its components business and keep the residue, including the much-prized telecoms division.

Dealers said recent activity in STC traded options gave credence to stories that a bid for the group was likely. Several analysts have said recently that STC is unlikely to exist in its present form this time next year.

UK Land slips

The depressed state of the property sector was highlighted yet again by a sudden fall in UK Land to a low of 58p, down from Wednesday's close of 105p. The shares recovered towards the end of the session to close at 78p, for a loss of 27p on the day. The company said it could see no reason for the decline. Final results for the year to September 30 will be released on schedule in mid-December; in the half year to March, pre-tax profits fell to £1.7m from £4.4m.

One analyst pointed out that although the company has a high gearing ratio, this is by no means unusual in a sector badly affected by the high cost of borrowing and depressed real property values. In addition, a lack of market liquidity in the shares makes the price vulnerable to sharp fluctuations.

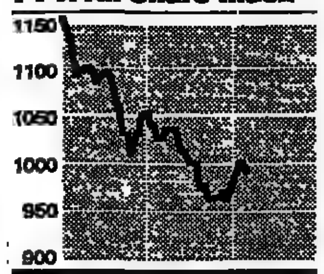
An abrupt about-turn in crude oil markets, reflecting the see-saw state of play in the Middle East situation, saw oil and gas stocks outperform the wider market. As one oil sector specialist put it: "The change of heart in the oil market has been entirely predictable. The sheer uncertainty in the Gulf leads to nervousness in the markets, which in turn drives the oil price. We're a long way from seeing crude prices back to pre-Kuwait invasion levels."

There were also suggestions that analysts covering the oil majors are currently re-working their profits estimates for BP and Shell. "Some substantial upgrades are in the pipeline," said one. BP moved up 5 to 352p on 6.4m shares traded and Shell edged ahead 3 to 484p.

International companies which have outperformed the market recently eased back as buyers from London moved to arbitrage with New York. Glaxo was off 11 at 787p, Fisons was down 10 at 358p and SmithKline Beecham lost 6 to 551p.

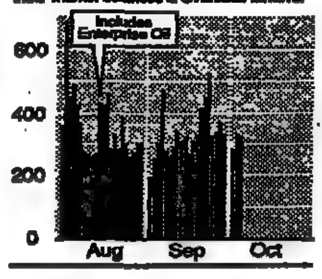
Brewery investors opted to take profits and Wednesday's star performer Guinness suffered most. The shares fell 13 to 705p while losses elsewhere were generally less than half that amount. Grand Metropolitan was the exception with a fall of 9 to 555p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Tilbury Group showed little reaction to a downturn in interim profits, closing unchanged at 418p. This was despite an increase in the half-yearly dividend to 10.5p from 10p and an optimistic statement from the company. While the UK property division remains weak, the company is hopeful of increased profits from its European operations, notably in Spain, where the housing sector remains strong.

A rise in pre-tax profits for Galliford to £10.3m from £9.8m and a 4.25p per share dividend for the year, against 3.9p previously, were both well received, and the price rose 4 to 68p. Sentiment was buoyed by a company statement stressing that its spread of activities will help to provide a relatively strong performance in the currently depressed environment.

Plant hire specialist Hewden-Stuart saw half-year profits slip, although the interim dividend was improved to 0.825p per share from 0.75p. One trader pointed out that as a company hiring equipment to the construction industry, it was vulnerable to any slowing in activity. The company added that pressure on margins was likely to increase during the second half, and the share price slipped a penny to 66p.

P J Carroll, the Irish cigarette maker, responded to agreed bid terms from the much larger tobacco group Rothmans International. Already the holder of around 40 per cent of the Carroll equity, Rothmans is offering IR£1.60 (145p) for each outstanding share. Carroll ended 31 up at 143p and shares of Rothmans finished marginally firmer at 695p.

After Wednesday's interim statement, analysts rated Harrisons & Crosfield either overvalued or, at best, a hold. But the shares doggedly refused to give ground and closed unchanged at 134p.

Norcros continued to regain health as fresh buyers were drawn by the yield offered on the shares. Nomura Research expects the dividend to be cut but calculates that a reduction, say from the current 16p to 12p, would still leave the shares returning a generous 14.4 per cent.

Laporte resisted the trend of other chemical stocks. The shares strengthened further to 474p, up 11, as a leading investment bank attempted to get stock back after having accommodated a buyer earlier in the session.

Suggestions that the weakness aroused by the call for fresh funds through a rights issue had been overdone failed to revitalise shares of MTM. They closed slightly easier at 143p.

Rolls Royce came back 4 to 182p on healthy turnover of 7m share as investors took profits after a steady rise throughout the week.

Confidence over a refinancing package at Eurotunnel continued despite the lack of any announcement, and the shares moved up 15 to 440p. The company has made no comment since the banks involved in the potential refinancing gave their report to the company on September 21.

Heavy selling pushed British Airways down 5 to 146p on turnover of 5.8m. The announcement of a rise in LEP's interim profits from £9.8m to £11.2m failed to make a strong impact and the shares were stable, closing down 1 at 168p in a falling market.

Jeyes Group, the USM-quoted manufacturer of household cleaning and hygiene products, slipped on talk of a director having sold shares. It was announced later that the chairman, Mr Michael Moseley, had reduced his stake to 2 per cent from 6.4 per cent, selling 900,000 shares at 209p a share. The price then fell more rapidly to close 24 lower at 195p.

James Finlay fell sharply, influenced more by its view of the tea market than the interim profits, which showed a fall of 10 per cent on 1989. The company said the state of the tea market was the most important factor in its performance. "The production figures worldwide suggest that the market is unlikely to improve, but company have been surprised before," it said.

The shares closed 13 down at 57, after having touched 55p.

News of directors' purchases lowered stock of Thomas Jourdan, a manufacturer of domestic products. Some 195,000 shares were bought at 31p and the market price moved nearer to that level to end 5 down at 33p. The stock may have been offered by a marketmaker anxious to reduce a book commitment, said a trader.

Burton fell another 10 per cent as worries persisted about its ability to sell its property interests at less than a substantial loss. Burton was also depressed by the sale of 3m shares, which was part of a programme trade. Burton fell 6½ to 56p.

Etam rose 12 to 72p after it announced better than expected interim results. Etam posted an interim loss of £1.1m compared with a profit of £6.2m last time and expectations of a £2m loss. The interim dividend was cut to 1.2p from 1.95p, although there were fears that it could have been reduced by more. After the results, Hoare Govett increased its full-year forecast to £7.5m from £6.5m.

Busy two-way trading was seen as the background to a large 14m turnover in Maxwell Communication which nudged back 3 to 139p. County NatWest said it was responsible for more than a third of the business which was boosted by two trades of more than 3m shares apiece and one of 1.3m.

Analysts said concern was building up because of the lack of a concrete announcement from Mr Robert Maxwell over expected asset disposals which are intended to ease company debts of £1.9bn.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
[illegible]			

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Trading in property shares was difficult and institutional investors preferred to remain on the sidelines. Mountleigh came under selling pressure, losing 2 to 78p. The company announced at its annual meeting that it was going ahead with a repurchase offer for SFr95m (£39.5m) of its Swiss franc bonds.

Frogmore Estates moved up 6 to 255p in belated response to Wednesday's hold recommendation from County NatWest. Helical Bar gained no benefit from a Hoare Govett review, which claimed that the shares were undervalued at current levels. They finished unchanged at 158p.

USM-quoted Tranwood fluctuated between 7p and 4¾p before finishing at the latter level. The company announced an approach which could lead to an offer and said the interim dividend declared in early August would now not be paid.

Talk of changes to regulatory arrangements on the water companies continued to worry investors in water stocks, although any such changes were denied by Mr Ian Byatt, director-general of Ofwat, the water industry's watchdog, at a Smith New Court seminar on Wednesday. Water stocks lost ground across the board.

The market also picked up hints of imminent profit downgrades, with Salomon Brothers said to have cut its numbers in the sector and to have been a seller of many water issues.

Mr Michael Sayers, water stocks analyst at Salomon, said he thought "all the water stocks look a little overbought in the short-term".

Mr Sayers said he had adjusted his profits estimate for Anglian Water to £142m pre-tax. He is looking for Anglian to produce this profit against other estimates of up to £155m.

The poorest performances in the sector came from Northumbrian which fell 5 to 228p, Severn Trent, 3 off at 199p, and Yorkshire, a similar amount lower at 241p. The Water Package retreated £17 to £2,213. Anglian held at 237p.

■ Other Market statistics, including the FT-Actuaries share index, Page 33

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (10).
BRITISH FUNDS (8) STORES (1) OILS (1).
NEW LOWS (138).
AMERICANS (8) CANADIANS (3) BANKS (3) BREWERS (1) BUILDINGS (5) CHEMICALS (1) STORES (8) ELECTRICALS (3) ENGINEERING (9) FOODS (4) HOTELS (1) INDUSTRIALS (28) Abbeycrest, Anglo United, BSG Intl., Bridon, Cassidy Brothers, Clayhithe, Courtney Pope, Doctus, Elders IXL, Elkem, Excalibur, Fletcher Challenge, Grampian Hldgs., Hafslund Nycomed B, Jourdan (T), McLeod Russel, Optometrics, Pacific Dunlop, Platignum, Portmeirion Potteries, Scottish Heritable, TT, Tollgate, Wassall, Whitecroft, Wilkes (J), INSURANCE (1) LEISURE (5) NEWSPAPERS (3) PAPERS (4) PROPERTY (4) SHOES (1) TEXTILES (5) TRANSPORT (2) TRUSTS (22) OILS (2) OVERSEAS TRADERS (1) MINES (8) THIRD MARKET (4).

APPOINTMENTS

Fenner makes changes

■ FENNER has appointed Mr Kenneth Worthing as corporate development director. He was development director of Simon Engineering. Mr Mark Andrews joins as group finance director. He was finance director of two divisions of Coloroll. Mr Julian Bigden, president of Fenner Manheim Inc, becomes president of Fenner America Inc. Mr Philip Boardman, group controller, is additionally made a director of Fenner International, and finance director, southern hemisphere operations. Mr Glyn Abba, group chief accountant, additionally becomes a director of Fenner International, and finance director, northern hemisphere operations. Mr Graham Pearce, finance director, power transmission division, is appointed managing director of the UK distribution company, Fenner Sales & Service.

■ KALAMAZOO has appointed Mr Michael Keating as a non-executive director. He is confectionery stream legal director at Cadbury Schweppes. Under power of attorney, he will act as one of the four trustees of the Kalamazoo Workers Alliance, which owns 51.5% of the company, and will be chairman of the trustees.

■ OCEAN GROUP has appointed Mr Douglas T. Ash as chief executive of MSAS Cargo International. He is a former chairman and chief executive of European Home Products.

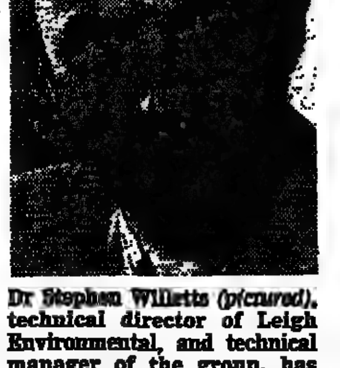
■ FOREIGN & COLONIAL MANAGEMENT has appointed to the board Mr R.E. Dowdall as finance director; Mr J.V. Monckton as head of fixed interest department; and Mrs Y.C. Ramm as director, business development in Europe. Mr J.L. Stevens, chief accountant, becomes an assistant director.

■ SILENTNIGHT HOLDINGS has appointed Mr Barry Cody as chairman of the group's cabinet division. He is managing director of its largest company, Homeworthy Furniture.

■ HILL MARTIN, Bristol, has appointed Mr David Quinton as pensions director. He was head of pensions, Rathbone Group.

■ Mr George Boden, chief executive of the STEEL BURRILL JONES GROUP, has been appointed a deputy chairman.

■ S. DANIELS' finance director Mr Roger Hayward will be leaving at the end of the year to pursue other interests. Mr John Brocklebank has been appointed finance director designate from November 1. He has held senior financial posts with Unilever NV and the Brooke Bond Group.



Dr Stephen Willetts (pictured), technical director of Leigh Environmental, and technical manager of the group, has been appointed to the parent board of LEIGH INTERESTS as group technical director. Mr Ed Ross has retired from the group board.

■ BIWATER, Dorking, has appointed Dr Hugh Tebbutt as director of group research from January. He was a senior lecturer, Birmingham University, graduate course in water resources technology.

■ PROPERTY SECURITY INVESTMENT TRUST has appointed Mr Geoffrey H. Caines as managing director. He was financial director.

Eurotunnel posts

■ Mr Douglas Hogg has been appointed group secretary of EUROTUNNEL. Mr Colin Kirkland, technical director, has been put in charge of public affairs in the UK.

■ Mr Ian Macpherson Robertson, formerly a senior executive of Bank of Scotland, has been appointed chairman of EDMONTON FINANCIAL SERVICES, and its associate Worldwide Securities.

■ Mr Paul J. Chambers has been appointed group financial director of APPLEYARD GROUP. He was deputy financial director, and succeeds Mr John Stuart who will remain an executive director until his retirement in August 1991.

■ Mr Nicholas Hood, chairman of Wessex Water and a non-executive director of Provident Life Association, and Bremhill Industries, has been appointed a director of NATIONAL WESTMINSTER BANK's western advisory board.

■ REMY & ASSOCIES has appointed Mr Ralph M. Browning as chairman, based in London. He was managing director, and joined the board in 1989 - 13 years after becoming directeur commercial of Remy Martin in Cognac.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	Yield (1)	Yield (2)
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1990: 119.5 and for August 1990: 128.1.

INT. BANK AND O'SEAS

[illegible]						

CORPORATION LOANS

[illegible]						

COMMONWEALTH & AFRICAN LOANS

[illegible]						

LOANS

Building Societies

[illegible]						

Public Board and Ind.

[illegible]						

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div %	Red. Yield
[illegible]						

AMERICANS

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

AMERICANS—Contd

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

CANADIANS

For AME Gold see North West Gold

1990 High	1990 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]							

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
35	25	♥Ayer Hitam SM1	25		[illegible]	0.7	–
75	45	Gopeng Berhad MSO 50	45	......	Q11c	2.6	4.9
67	29	Malaysia Mng. 10c	29	......	07c	2.3	4.9
160	130	Petaling SM1	130		Q180c	–	25.2
125	125	Sungei Besi SM1	125	......	–	–	–
90	90	Tanjong 15p	90	......	–	–	–

Miscellaneous

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
190	100	Anglesey Mining 9p ψ	100	−3	–	–	–
110	26	Do. Warrants ψ	26		–	–	–
17	8½	Anglo-Dominion	9¼	......	–	–	–
651	266	Bond Intl. Gold	303	−1	–	–	–
37	14	Butte Mining 10p ψ	14½		–	–	–
44	10½	♥Colby Res Corp	11½		–	–	–
122	28	Cons. Murch. 10c	31	+1	030c	5.5	23.6
26	3	♥DRX Inc.	4	......	–	–	–
24½	7½	♥Emex Int. Ir10p ψ	8	+½	–	–	–
98	30	Europa Minerals 2p ψ	33	......	1.0	–	4.0

THIRD MARKET

For Blackland Oil see OILS

For Swangard Studios see LEISURE

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
72	22	Oxford Virology 5p ψ	[illegible]	−1				
83	61	Poddington 5p	77	......				
118	65	Ransom's (Harry) ψ	80	−2	14.5	1.1	7.5	15.8
60	29	Rentaminster 5p ψ	29	−2	[illegible]	2.8		5.7
38	8	Semperoyva	8	......				1.8
36	17	Sleepy Kids 5p ψ	17	......	–	–	–	–
3½	1½	Systems Connections ψ	2	......	–	–	–	–
94	58	Tomorrows Leisure 20p ψ	[illegible]	......	1.0	♦	2.3	♦
55	27	UPL Group 10p ψ	29	......	–	–	–	–

For Unit. Grp see PAPER, PRINTING, ADVERTISING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
89	16	Video Magic Leis. 1p ψ	21	+1	–	–	–	–
6¼	2½	Vista Ents 5p	2½	......	–	–	–	–
18	8	Vizcaya Hldgs 5p	8	......	–	–	–	–
5½	2	Wilton Group 1p ψ	2½	......	–	–	–	7.6

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ß Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 ψ	700	......
Finlay Pkg. 5p ψ	46	−2
Holt (Jos) 25p ψ	1300	−5

IRISH

Cap. 8½% Ln. 1991	£98	......
9pc Cap Ln. 1996	£93	......
Fin. 13% 97/02	£110	......
Arnotts	180	......
Carrol (P.J.) ψ	150	+25
Hall (R. & H.)	165	......
Helton Hldgs ψ	47	......
IRG	150	......
United Drug	136	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5½
FNFC	20
Gen Accident	46½
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds.	21
Marks & Spencer	18
Midland Bk.	20
Nat West Bk.	18
P & O Dfd.	42
Polly Peck	40
Racal Elect.	14
RHM	23
Rank Org Ord.	49
Reed Intnl.	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	18
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	24
Unilever	58
Vickers	19
Wellcome	38

Property	
Brit Land	24
Control Secs.	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils	
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res.	2
Premier	8½
Shell	40
Tuskar Res.	6
Ultramar	31

Mines	
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Brown Shipley & Co Ltd—Contd.

Cornhill Unit Trust Mngrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)H

Fairmount Fund Managers (1200)F

L & C Unit Tst Mngmt Ltd (0905)F

Laurence Keen Unit Trust Mngmt (1500)F

Lawrentian Unit Tst Mngmt Ltd (1400)H

Mercury Fund Managers Ltd—Contd.

Martin Jupiter Unit Tst Mngrs Ltd (0905)F

Newton Fund Mngrs Ltd (1200)F

Norwich Union Tst Managers (1200)H

Schroder Unit Trusts Ltd—Contd.

National Provident Inv Mgrs Ltd (1400)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible] This charge is included in the price of units.

OFFER PRICE: Also called issue price. [illegible]

BID PRICE: Also called redemption price. [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

[illegible]

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin: 0296 394000 Dealing: 0296 312156						
American Eagle	5	58.17	58.17	62.15	-1.75	1.24
Australia	5	5.960	5.960	6.382	-.130	4.18
Equity	5	138.2	138.2	148.3	-0.5	5.19
Euro Spec Sits	5	97.96	97.96	105.4	-0.5	0.65
Financial	5	24.08	24.08	25.89	-0.28	3.35
Global Opps Inc	5	56.82	56.82	61.17	-0.62	0.00
Global Opps Acc	5	57.25	57.25	61.63	-0.63	0.00
Gold & Gen Inc	5	40.25	40.25	43.25	+0.12	0.95
Gold & Gen Acc	5	75.01	75.01	80.57	+0.23	0.95
Income	5	84.95	85.90	91.51	+0.41	6.78
Japan & General	5	102.4	102.4	110.1	-1.1	0.00
Preference Share	5	16.97	16.97	18.28	-0.38	14.51
UK Capital	5	75.38	75.38	80.88	-0.19	4.32
World Income	5	52.37	52.37	56.22	-0.59	6.28
Worldwide Capital	5	144.0	144.0	156.1	-1.1	3.52
Templeton Unit Trust Managers Ltd (1200)F						
Athell Crescent, Edinburgh EH3 8HA 031 228 7932						
Global Growth Acc	6	94.56	95.33	101.95	-1.19	3.69
Global Growth Inc	6	90.85	91.59	97.76	-1.13	3.69
Global Balanced Acc	6	94.99	95.46	102.09	-0.83	4.83
Global Balanced Inc	6	88.50	88.93	95.11	-0.77	4.83
Value Tst Acc	6½	69.28	70.39	75.29	-0.39	4.55
Value Tst Inc	6½	67.56	68.64	73.41	-0.38	4.55
Intl Pen & Ch'ties Inc	2	90.81	92.24	96.84	---	3.81
Intl Pen & Ch'ties Acc	2	87.63	89.01	93.45	---	3.81
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	45.36	45.63	48.54	---	-
Overseas	5	39.38	39.56	42.08	---	-
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262 Dealing 071-493 8545						
American Opps	5	42.63	42.63	45.46	-1.86	0.25
(Accum Units)	5	43.87	43.87	46.78	-1.90	0.25
Cash	0	50.49	50.49	50.49	+0.05	14.75
Accum Units	0	50.49	50.49	50.49	+0.05	14.75
European Opps	5	58.73	58.73	62.63	-0.35	0.00
(Accum Units)	5	59.05	59.05	62.97	-0.36	0.00
Far Eastern Opps	5	97.64	97.64	104.13	+0.85	0.00
(Accum Units)	5	98.26	98.26	104.80	+0.86	0.00
Golden Opps	5	30.09	30.09	32.09	-0.14	0.00
(Accum Units)	5	30.95	30.95	33.01	-0.14	0.00
Intl Hi-Yield	5	47.85	47.85	51.03	-0.26	5.40
(Accum Units)	5	52.16	52.16	55.63	-0.28	5.40
Sanyo Japan Tst	5	53.00	53.00	56.52	+0.77	0.00
(Accum Units)	5	53.00	53.00	56.52	+0.77	0.00
Kangaroo	5	25.69	25.69	27.39	-0.32	1.59
(Accum Units)	5	26.82	26.82	28.60	-0.32	1.55
Little Dragons	5	34.68	34.70	37.00	[illegible]	0.00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Oct 3	39.0	40.5	---	2.49
Euro Expt Oct 3	46.5	48.8	---	2.71
Fixed Int Ex Oct 3	42.7	43.9	---	11.50
Japan Expt Oct 3	38.6	38.6	---	0.88
Managed Ex Oct 4	36.4	37.8	---	5.50
SE Asia Expt Oct 3	55.2	57.9	---	3.64
Sm Cos Expt Oct 3	29.9	31.2	---	3.31
UK Eqty Ex Oct 3	35.3	37.0	---	4.40
Phillips & Drew Fund Management Ltd				
Small Co's Oct 3	587.8	630.6	---	3.55
Do Accum	653.7	701.2	---	3.55
Int Expt Oct 3	146.6	148.8	-0.4	3.34
UK Index Oct 3	956.0	975.6	---	5.25
Do Accum	1009	1029	---	5.25
Convertible Oct 1	75.56	78.08	---	9.1
World ex UK Index Oct 1	611.1	619.2	---	2.67
Do Accum	611.1	619.2	---	2.67
Japan Index Oct 1	445.1	451.5	---	0.8
Do Accum	445.9	452.3	---	0.8
USA Index Oct 1	752.7	757.8	---	3.7
Do Accum	763.3	768.4	---	3.7
Europe ex UK Index Oct 1	774.5	793.4	---	3.2
Do Accum	786.5	805.6	---	3.2
Pacific ex Jap Index Oct 1	756.2	779.0	---	5.6
Do Accum	770.2	793.6	---	5.6
Managed Exempt Oct 3	86.83	88.38	-0.91	5.31
American Exempt D	100.1	101.9	+1.7	3.7
European Exempt D	102.8	104.0	+4.0	3.1
Japan Exempt D	102.8	103.6	+5.6	0.6
Pacific Basin D	100.8	103.6	+3.6	3.8
NM Rothschild Asset Management Ltd				
NC Managed	51.9	55.3	+0.5	4.57
NC Property	174.3	191.2	---	-
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	117.6	118.6	---	4.23
Stewart Ivory & Co Ltd				
Sales PPP Aug 13	231.1	243.3	---	-
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Oct 1	82.29	87.10	---	4.75
(Accum Units)	84.47	89.54	---	4.75
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	932	947	---	2.81
TR Exempt Nth Amer	740	757	---	4.29
TR Exempt Pac Basin	625	638	---	1.98

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd
PO Box 140 Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	60.3	63.5		-
Stock Market Mngd Fund	56.7	59.7	-0.1	-
Equity Fund	64.6	68.0	+0.1	-
International Fund	49.7	52.4	-0.5	-
European Fund	60.7	63.9	-0.1	-
North American Fund	48.9	51.5	-0.8	-
Pacific Fund	50.3	52.9	-0.7	-
Property Fund	87.3	91.9	+0.1	-
Fixed Interest Fund	51.6	54.3	+0.2	-
Index linked Sec Fund	58.0	61.1	+0.1	-
Deposit Fund	65.4	68.9	+0.1	-
NUAM Retirement Plans				
Mixed Fund	65.1	68.6		-
UK Ordinary Share Fd	[illegible]	78.0	+0.1	-
International Fund	53.8	56.7	-0.3	-
Property Fund	84.3	88.7		-
Fixed Interest Fund	61.4	64.6	+0.3	-
Index Linked Sec Fund	61.3	64.5	+0.1	-
Deposit Fund	75.6	79.6		-
NUAM (MF)				
Managed Fund	894.5	899.5	-1.1	-
Equity Fund	1784.2	1878.2	+2.9	-
International Fund	131.3	138.3	-1.3	-
Property Fund	552.1	581.2	+0.1	-
Fixed Interest Fund	386.7	407.1	+1.4	-
Index Linked Sec Fund	59.0	62.2	+0.2	-
Deposit Fund	268.8	283.0	+0.1	-

Norwich Union Life Insurance Soc.
Surrey Street Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Life				
With Profits Fd	105.03	110.56	+0.03	-
Managed Fd	81.38	85.66	-0.18	-
UK Ord Share Fd	84.30	88.74	+0.02	-
International Fd	73.64	77.52	-0.74	-
European Fd	84.11	88.53	-0.20	-
North American Fd	74.54	78.46	-1.27	-
Pacific Fd	63.72	67.07	[illegible]	-
Property Fd	100.18	105.46	+0.02	-
Fixed Int Fd	93.00	97.89	+0.30	-
Intl Bond Fd	88.02	92.65	[illegible]	-
Deposit Fd	105.75	111.32	+0.04	-

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Individual Pension Funds				
UK Equity Acc	204.5	215.8	[illegible]	-
UK Fixed Interest Acc	189.8	200.3	+0.3	-
Intl Equities Acc	193.0	203.6	+0.5	-
[illegible]	165.5	174.5	+0.5	-
Property Acc	208.5	220.0		-
Money Acc	148.1	156.3		-
Special Markets Acc	201.0	212.1	-3.6	-
Japan Equity Acc	139.4	147.1	+0.3	-
North American Acc	103.3	109.0	[illegible]	-
Pacific Acc	142.5	150.4	-1.4	-
Technology Acc	119.5	126.1	-0.8	-
Natural Resources Acc	99.0	104.5	-0.4	-
European Acc	105.3	111.1	-0.9	-
Residential Prop Acc	103.5	109.2		-
Swiss Equities Acc	31.6	33.4	-1.2	-
Hong Kong Acc	46.3	48.9	-0.1	-
UK High Inc Eqs Acc	66.4	70.1	+0.6	-
[illegible]	54.1	57.1		-
Int Managed Acc	51.0	53.7		-
Group Pension Funds				
Equity Acc	677.1	698.1	-2.0	-
Fixed Interest Acc	559.5	576.9	[illegible]	-
Managed Acc	117.4	119.7	-0.2	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund (Mixed)	956.0	1003.8	+7.9	-
Equity Fund	217.0	227.9	+2.4	-
International Fd	119.4	125.4	+2.3	-
Fixed Interest Fd	155.4	163.2	+0.2	-
Property Fund	226.0	237.3		-
Index-Linked Fund	146.6	153.9	+0.2	-
Deposit Fund	155.3	163.1		-
Pens. Mixed (Ord) Fd	233.2	244.9	+2.9	-
Gold Pensions				
Discretionary Fund		113.6	+0.8	-
Equity Fund		112.0	+1.2	-
[illegible]		119.7	+0.1	-
International Fund		92.4	+1.6	-
Property Fund		198.5	-	-
[illegible]		122.4		-

Windsor Life Assur Co Ltd
Windsor House Telford, Shropshire 0952 292929

	Bid Price	Offer Price	+ or -	Yield Gross
American	221.7	233.4		-
Balanced Accum (3)	93.3	98.23		-
Deposit	215.4	226.7		-
Far East Fd	253.7	[illegible]		-
Fully Man Acc Pen (2)	465.4	489.9		-
Fully Man Acc Pen (3)	465.8	490.3		-
Gilt	236.0	248.4		-
[illegible]	275.3	289.8		-
Grid Rent & Gilt II Life	111.0	116.8		-

Sun Alliance International Life
PO Box 77 New St, St Peter Port, Guernsey 0481 714108

	Bid Price	Offer Price	+ or -	Yield Gross
North American Equity $	57.69	8.28		-
Pacific Equity $	56.62	[illegible]		-
Intl Currency $	54.23	4.56		-
Intl Bond Fund $	56.60	7.11		-
Gilt Fund £	[illegible]	[illegible]		-
US Dollar Mngd Fd $	51.54	1.65		-
Stlg Managed Fd £	£0.96	1.05		-

Target International Group
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 B6XF. 01-836 4391

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	186.0	195.8	+0.9	-
Target Mngd Pension	122.5	118.5	+0.6	-
Albany Life Acc	167.4	176.2	+0.3	-
Albany Pens Acc	207.5	218.4	+0.6	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar at record D-Mark low

SPECULATION about lower US interest rates hit the dollar hard yesterday. Wednesday's endorsement of the US Budget reduction package by Mr Alan Greenspan, Federal Reserve Board chairman, led to selling of the US currency, pushing it to a record low against the D-Mark and to its lowest against the Japanese yen for over 17 months.

Speculation about an easing of the Fed's monetary stance increased with Mr Greenspan's comments and the market now awaits today's US employment data for September for further guidance on the state of the the economy.

Analysts are looking for little change in the level of non-farm employment, but if the figure shows a significant fall, after the August drop of 75,000, this could give further encouragement to lower interest rates.

Action by the Fed yesterday in adding funds to the New York banking system, via overnight system repurchase agreements, was regarded as part of normal market management. Fed funds were trading at 8¼ per cent at the time, against an assumed target of 8 per cent.

The dollar touched an all-time trading low of DM1.5300, before finishing in London at a record closing low of DM1.5335 compared with DM1.5440 on Wednesday. It also touched Y133.60, the lowest trading level against the yen since April 1989, closing in London at Y133.85 against Y136.10 previously. Against other major currencies the dollar fell to SFr1.2765 from SFr1.2855 and to FFr5.1400 from FFr5.1725. Its index declined to 61.7 from 62.2.

Sterling was on the sidelines, gaining ground against the dollar but weakening against the yen and easing slightly in terms of European currencies. The pound rose 1.15 cents to $1.9115, while falling to Y255.75 from Y258.50; to DM2.9300 from DM2.9325; to SFr2.4400 from SFr2.4425; and to FFr9.8250 from FFr9.8275. Sterling's index closed unchanged at 93.7, while in New York the currency ended at $1.9140/50.

Trading among members of the European Monetary System was quiet, as attention focused on the dollar. The Bank of Italy supported the lira by selling dollars, D-Marks and Ecus at the Milan fixing as the lira fell to the bottom of the system.

The Australian dollar eased slightly after Mr Paul Keating, the Australian Treasurer, said interest rates would be cut if necessary to prevent falls in output and employment. In Sydney the local currency closed at 83.05 US cents compared with 83.10 cents on Wednesday and 85.37 cents at yesterday's opening. In London it rallied to 83.30 cents against a weakening US dollar.

The New Zealand dollar was also weak, falling to 61.55 US cents in Wellington from 61.90 cents overnight. A large selling order hit the currency in late trading when it was already following the Australian dollar down. In London the New Zealand currency remained at 61.55 cents.

£ IN NEW YORK

Oct.4	Close	Previous Close
£ Spot	1.9140-1.9150	1.9010-1.9020
1 month	1.08-1.06pm	1.08-1.06pm
3 months	3.10-3.08pm	3.14-3.11pm
12 months	10.2-10.0pm	10.1-10.0pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct 4	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	132.889	129.208	-2.77	3.69	48
Belgian Franc	42.1679	42.3781	0.50	0.32	-9
French Franc	6.85684	6.89206	0.51	0.31	-11
Irish Punt	0.763159	0.767048	0.51	0.31	[illegible]
German D-Mark	2.04446	2.05761	0.64	0.18	-21
Danish Krone	7.79845	7.84998	0.66	0.16	-26
Dutch Guilder	2.30358	2.32022	0.72	0.10	-30
Italian Lira	1529.70	1542.27	[illegible]	[illegible]	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

STERLING INDEX

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

CURRENCY MOVEMENTS

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

* Selling rate

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
October	1560.0	1536.0	-23.5	1565.0	1546.0	10,503
November	1568.0	1568.0	-15.5	1568.0	1568.0	181
December	1573.0	1564.0	-23.5	1573.0	1564.0	276
March	-	-	-	-	-	0

Estimated volume 7,132 Total Open Interest 10,960

BASE LENDING RATES

	%		%		%
ABN Bank	15	Cedris & Co	15	NatWestminster	15
Adam & Company	15	Cyprus Popular Bk	15	Northern Bank Ltd	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc	16½	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
Bank of Cyprus	15	[illegible]	15	Unibank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm.Bk.of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Rates slightly easier

INTEREST RATES had a slightly softer tone in London yesterday amid guarded optimism about a cut in US rates. Bank base rates in the UK have now been at 15 per cent for a year.

Three-month interbank was quoted at 14$\frac{9}{16}$-14⅞ per cent against 14$\frac{11}{16}$-14⅝ while 12-month money was 14$\frac{5}{16}$-14¼ compared with 14⅜-14¼.

Short sterling futures were steady within a narrow trading range on Liffe. Volume was relatively low. The December contract opened slightly higher at 85.73 and moved between 85.69 and 85.74 before closing at 85.72 compared with 85.70 previously.

UK clearing bank base lending rate
15 per cent
from October 5, 1989

Day-to-day credit was in short supply on the London money market, and the Bank of England did not appear to take out the full underlying shortage. This kept overnight money firm for most of the day. A shortage of £1,050m was initially forecast, but this was revised to £1,000m in the afternoon.

Total assistance of £804m was provided. An early round of help was offered and at that time the authorities bought £112m bills outright, by way of £64m Treasury bills in band 2 at 14⅞ per cent and £48m bank bills in band 2 at 14⅞ per cent. In further operations before lunch £6m bills were purchased, via £1m Treasury bills in band 2 at 14⅞ per cent and £5m bank bills in band 2 at 14⅞ per cent.

In the afternoon the Bank of England bought another £521m bills, through £386m Treasury bills in band 1 at 14⅞ per cent; £29m bank bills in band 1 at 14⅞ per cent; £41m Treasury bills in band 2 at 14⅞ per cent; and £65m bank bills in band 2 at 14⅞ per cent. Late assistance of around £165m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £825m, with Exchequer transactions absorbing £50m, a rise in the note circulation £95m and bank balances below target £90m.

In Frankfurt call money eased slightly to 8.025 from 8.05 per cent, but remained above the 8 per cent Lombard emergency financing rate. The injection of a net DM1.3bn by the Bundesbank at this week's securities repurchase agreement tender had little impact, with credit conditions staying generally tight after Wednesday's German unification holiday. As expected, the Bundesbank left credit policies unchanged at yesterday's council meeting.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

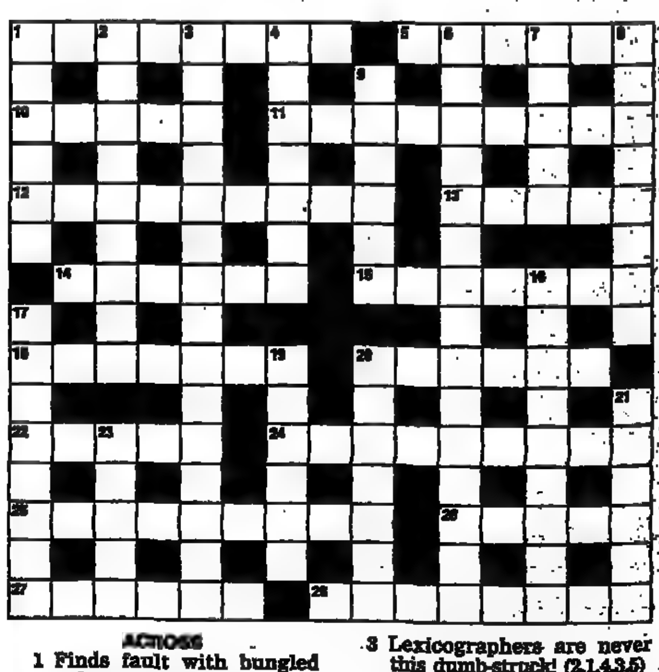
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,359 Set by GRIFFIN



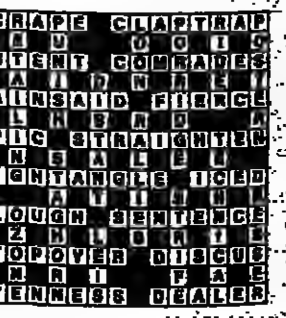
ACROSS

1 Finds fault with bungled pub attacks (8)
5 Disturb two fellows backstage during performance (6)
10 Tea at home in Ware (5)
11 Canned beer Tina and I brewed (9)
12 Article by Bill on blue-backed snakes (9)
13 Before a missing cat is found (5)
14 Suet pudding is wrapped in paper hanky (6)
15 Phil bumped into a fellow swimmer (7)
18 Left behind, look for aerodrome (7)
20 Gentiles weaken, taking horse back (6)
22 Cheat, putting hands behind pole (5)
24 Trustworthy salesman you heard taking food (9)
25 Cat's cry, possibly at a curlew (9)
26 Without Grandmother? That is senseless! (5)
27 Quietly entering, drench partner (6)
28 Far-flung FBI agents' first terrible scrap (8)

DOWN

1 Naked pawnbroker's pointless commercial (6)
2 Officer on vessel I read about (9)
3 Lexicographers are never this dumb-struck! (2,1,4,3,5)
4 Sweetheart leaves Edwin, led astray by shrink! (7)
6 Down-to-earth striker? (6,9)
7 Avoid putting time in the night before (5)
8 Entertaining singer one turned out, scoffing (8)
9 Understood nurse used to be topless (6)
16 Stopper on a jam-jar? (9)
17 Owns belts and something to kneel on (8)
19 Sailor on brown vessel (6)
20 Liked to be directly opposite, standing up inside (7)
21 Best man accepted charge (6)
23 Relationship of artist to first person in (5)

Solution to Puzzle No.7,358



WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices October 4

MONTREAL
Closing prices October 4

INDICES

NEW YORK

DOW JONES	Oct. 4	Oct. 3	Oct. 2	Oct. 1	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2516.83	2499.36	2505.20	2515.84	2999.75 (16/7)	2427.48 (27/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	89.11	89.15	89.11	89.05	93.04 (3/1)	88.44 (24/9)	—	—
Transport	869.27	882.77	894.79	873.15	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.92	202.46	202.78	203.35	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2528.22 (2534.65) Low 2464.85 (2470.79)

STANDARD AND POOR'S	Oct. 4	Oct. 3	Oct. 2	Oct. 1	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	312.69	311.40	315.21	314.94	368.95 (16/7)	300.97 (27/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials (Latest)	368.45	367.37	371.08	370.54	437.37 (16/7)	355.12 (27/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	21.06	20.89	21.44	21.59	31.87 (3/1)	19.88 (27/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	171.33	170.80	172.59	172.22	201.13 (16/7)	165.36 (27/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	[illegible]	309.25	309.63	308.44	382.45 (5/1)	305.43 (27/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	349.89	351.45	356.39	354.65	469.60 (16/7)	341.19 (27/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.28	Sep.21	Sep.14	year ago (approx.)
Dow Industrial Div. Yield	4.14	4.03	3.95	3.74
	Oct. 3	**Sep.26**	**Sept19**	**year ago (approx.)**
S & P Industrial div. yield	3.42	3.49	3.29	2.71
S & P Indl. P/E ratio	14.85	14.55	15.12	14.29

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Unisys	3,420,300	3⅝	- ⅛
Navistar	3,418,900	2⅝	...
Philip Morris	1,914,400	48	- ¼
Tenneco	1,877,400	45¼	- 4⅛
Baxter Int.	1,838,400	25⅞	+ 1¼
Citicorp	1,777,600	13⅞	+ ¼
Waste Mngmt.	1,764,400	32¼	- 1⅞
Dry Pets	1,706,500	18¼	- ⅞
Gen. Electric	1,632,600	54⅛	- ¼
Wal-Mart	1,555,300	27⅞	- ¼

TRADING ACTIVITY

† Volume (Millions)	Oct. 4	Oct. 3	Oct. 2
New York	145.410	135.490	188.320
Amex	9.225	11.223	16.012
NASDAQ	(u)	106.029	135.806
Issues Traded	1,964	1,961	2,005
Rises	729	557	998
Falls	778	956	581
Unchanged	457	448	426
New Highs	4	5	10
New Lows	144	99	76

CANADA

TORONTO	Oct. 4	Oct. 3	Oct. 2	Oct. 1	1990 HIGH	1990 LOW
Metals & Minerals	2869.50	2865.50	2888.45	2904.67	3453.05 (4/1)	2850.80 (23/9)
Composite	3175.95	3179.50	3191.38	3175.67	4009.47 (3/1)	3159.37 (28/9)
MONTREAL Portfolio	1694.35	1694.94	1699.84	1690.82	2060.90 (3/1)	1670.81 (27/9)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 4	Oct. 3	Oct. 2	Oct. 1	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1368.5	1385.4	1406.1	1385.7	1713.7 (12/1)	1368.5 (4/10)
All Mining (1/1/80)	680.7	689.0	699.1	695.4	860.8 (5/1)	680.7 (4/10)
AUSTRIA						
Credit Aktien (30/12/84)	428.71	431.51	439.59	420.29	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5123.52	5134.41	5162.93	5046.67	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	338.41	339.74	339.46	335.33	398.29 (28/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	432.8	432.8	430.4	426.5	677.3 (23/1)	425.0 (26/9)
FRANCE						
CAC General (31/12/82)	425.68	426.10	431.76	415.93	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1552.74	1566.50	1573.95	1540.81	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	605.34	(c)	617.90	599.94	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1735.2	(c)	1771.40	1719.3	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1422.36	(c)	1444.89	1420.73	1968.55 (30/5)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	2862.55	2905.48	2791.26	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1286.14	1255.05	1219.95	1207.47	1893.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	579.08	579.50	578.68	562.98	763.52 (14/6)	554.30 (25/9)
JAPAN						
Nikkei (16/5/49)	22278.19	22849.39	22898.41	20221.86	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1649.52	1670.85	1668.83	1523.43	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2994.09	2959.88	2917.02	2859.49	4477.16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	467.32	468.42	475.85	(c)	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	232.6	238.4	238.2	232.8	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	170.8	172.9	172.7	170.3	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	781.45	782.93	790.37	789.39	915.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	515.39	549.66	537.77	535.50	1160.70 (21/3)	515.39 (4/10)
SINGAPORE						
SES All-Singapore (2/4/75)	312.72	313.83	319.04	308.40	446.87 (16/7)	307.36 (28/9)
SOUTH AFRICA						
JSE Gold (28/9/78)	1552.0§	1502.0	1580.0	1537.0	2230.0 (16/1)	1322.0 (20/6)
JSE Industrial (28/9/78)	2675.0§	2655.0	2664.0	2640.0	3211.0 (8/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	(c)	(c)	(c)	(c)	928.82 (4/1)	556.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	219.34	(c)	223.64	213.70	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	984.6	981.9	1009.5	957.3	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	640.8	645.0	646.2	630.1	845.5 (13/7)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2626.05	(u)	2593.75	2560.47	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	671.99	713.85	704.51	654.39	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	445.4	446.8	429.8	571.0 (4/1)	423.1 (28/9)

**Saturday September 29: Taiwan Weighted Price: (c) Korea Comp Ex. 602.88
§ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 4 October 1990

	Stocks Traded	Closing Prices	Change on day
Takeda	13.8m	1,700	-10
Hitachi	10.5m	1,290	-10
Kurabo Ind	7.6m	1,450	+180
Matsushita	7.3m	1,660	-40
MHI	6.9m	702	+1
Daiichi Pharm	5.6m	2,420	+110
Iwatani Co	5.5m	1,250	+60
Toshiba	5.4m	836	-14
Kobe Steel	4.7m	483	-13
Fujitsu	4.0m	1,150	-40

4pm prices October 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	11⅞	AAR	.48	3.9	8	227	12¾	12¼	12¼	- ⅛
9¾	7⅞	ACM n	1.01	12.		187	8¼	8	8¼	
11⅞	8¾	ACMIn	1.26	[illegible]		634	9⅞	9¼	9⅞	+ ⅛
9¼	6½	ACM M n	1.01	[illegible]		309	7⅛	7	7⅛	
12⅛	10	ACMMM	1.50	12.		130	11¾	11⅝	11⅝	- ⅛
11½	8⅝	ACM Sc	1.28	13.		675	9¾	9½	9⅝	+ ⅛
9⅜	7¼	ACMSp	1.01	13.		323	8	7⅞	8	
24⅞	14⅞	AL Lab	.16	.9	16	6	18⅝	18⅝	18⅝	
5¾	1¼	AM Intl				440	1⅞	1⅝	1⅞	+ ⅛
23⅞	7	AM In pf	2	28.		71	8½	7¼	7¼	- 1
107¼	39¼	AMR			10	1083	43⅞	42½	43	
4¼	2⅞	ARX			9	18	3	2⅞	2⅞	- ⅛
72¼	42⅞	ASA	3a	6.3		305	48⅞	47⅞	47⅞	- ⅞
45⅝	30⅝	AbtLab	s.84	2.1	20	6416	41¼	40⅝	40⅝	- ⅝
14⅝	11¼	[illegible]				15	12¼	12¼	12¼	- ⅛
11⅝	5¼	AcmeC	.40	7.0	7	70	5⅞	5¼	5¼	- ¼
9⅞	6¼	AcmeE	.32	4.9	6	15	6½	6⅛	6½	- ⅛
32¼	18⅞	Acuson s			[illegible]	[illegible]	28⅞	27½	27⅞	- 1⅛
16⅞	14¼	AdaEx	2.08e	14.		80	15	14⅞	14⅞	- ⅛
15⅝	[illegible]	Adobe				[illegible]	11⅝	11½	11½	
20¼	17⅞	Adob pf	1.84	10.		5	17⅞	17⅞	17⅞	- ⅛
21⅝	19¾	Adob pf	2.40	12.		101	20	20	20	- ⅛
11⅞	4⅞	AMD			20	2722	5	d 4¾	4⅞	- ⅛
[illegible]	18⅞	AMD pf	3	16.		76	18½	18⅜	18½	

Continued on Page 49

هكذا من الأصل

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	8	ZenithE				481	8⅝	8	8⅝	+ ⅛
19⅛	13⅛	ZeoNtl	.88	6.8	8	14	13⅝	13⅛	13⅝	+ ⅛
8⅝	4½	Zemix	.88	17.		121	5¼	5⅛	5⅛	+ ⅛
17½	9⅞	Zero	.40	4.0	10	1674	10⅛	9⅞	10⅛	+ ⅜
61⅛	30⅛	Zurn	.76	2.1	15	616	35⅝	35⅛	35⅝	
12⅝	10⅛	Zweig	1.18e	11.		189	10⅞	10⅝	10⅞	+ ⅛
10	8⅛	ZweigTl	.84	10.		z695	8⅝	8⅝	8⅝	− ⅛

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Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 4

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices October 4

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
YanEnS	1.52	15	298	19	18½	18½	
YelowF	.82	39	1810	19½	d19⅛	19⅛	− ⅛
YorkFs		11	259	9⅞	8⅞	9¼	
Zeos		16	145	14	13	13½	
Zionlls	1.44	7	11	25	25	25	

AMERICA

Street tracks progress of crude oil and budget pact

Wall Street

EQUITIES eventually moved higher *yesterday, as traders* continued to follow the progress of the budget accord and crude oil prices, *writes Karen Zagor in New York.*

The Dow Jones Industrial Average was up 27.47 at 2,516.83 on moderate volume of 145.4m shares, after dropping more than 19 in the morning. On Thursday the Dow closed down 15.84 at 2,489.36.

On the big board, declining issues led advancing by 775 to 731. The mixed tone of the market was reflected in other stock market indices. The Standard & Poor's 500 was up 1.29 at 312.69 while the American Exchange Composite was off 1.11 at 308.14 and the NASDAQ *Composite was 1.56 lower at* 349.89.

Oil prices turned lower at mid-session, and November crude ended the day down 39 cents at $36.93 a barrel.

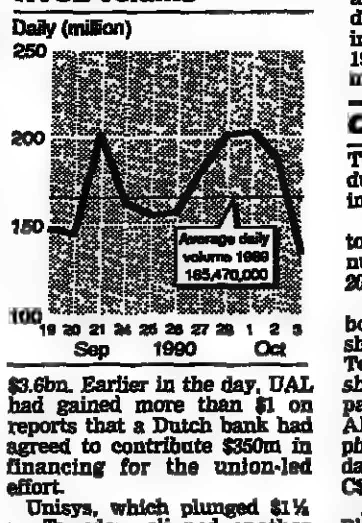
Among featured issues, Navistar led the New York Stock Exchange's most active list, sliding $1/4 to $2 1/4 after 1.2 per cent of its outstanding shares were traded in a single block.

Tenneco plummeted $4 3/4 to $45 1/4 after analysts at several US firms lowered their earnings estimates for this year and 1991. Tenneco said on Wednesday that the company's farm and construction business would be hurt by recession and *higher oil prices.*

UAL dropped $6 to $105 3/4 amid rumours that the three unions which are hoping to acquire the company might offer less than the expected

NYSE volume

Daily (million)



$3.6bn. Earlier in the day, UAL had gained more than $1 on reports that a Dutch bank had agreed to contribute $350m in financing for the union-led effort.

Unisys, which plunged $1 1/4 on Tuesday, slipped another *$1/4 yesterday in active trading* as concern about its performance grew. Ingersoll Rand plunged $5 1/4 to $83 1/4 after it said that its third quarter results would be lower than expected.

The secondary market *continued to deteriorate amid con*cerns about the US economy and the prospect of poor third quarter results.

Reuters Holdings' US depository receipts plummeted $4 1/2 to $39 1/4 in heavy trading after an analyst at Goldman Sachs downgraded his short-term rating on the stock and cut his 1990 and 1991 earnings estimates.

Canada

TORONTO share prices drifted during the session to close flat in moderate trading.

The composite index lost 3.55 to 3,175.95 with declines outnumbering advances by 317 to 209.

Volume of 26.55m shares was boosted by more than 5.8m shares of Telus receipts, 1.4m Telus shares and 1.5m Encor *shares. Telus, established as* part of the privatisation of Alberta Government Telephones, began trading yesterday. Trading value climbed to C$230.5m from C$173.8m.

Among gold producers, Placer Dome lost C$3/8 to *C$19 3/8, American Barrick fell* C$3/8 to C$24 1/4, Teck B was off C$3/8 to C$23 3/8 and Echo Bay Mines dropped C$1/4 to C$14 5/8.

Austria falls from dizzy heights of March

The Vienna bourse's all-time highs may be part of history, writes **Judy Dempsey**

VIENNA'S stock exchange, which last year was one of the *best-performing markets in the* world, has become one of the latest casualties of the Gulf crisis. Yesterday, the official bourse index closed at 490.52, *34 per cent down from the* all-time high of 739.12 it reached on March 19.

The first quarter will probably be viewed as the halcyon days of the exchange. By the end of March, the bourse index was registering a 1990 gain of *40 per cent and, in the FT-Ac*tuaries World Index series, Austria was showing a rise of 125 per cent over 12 months. The exchange was spurred on by what Viennese traders called the "Eastern Europe Fantasy" – the wishful thinking that there would be substantial investment opportunities as political and economic barriers came down between east and west.

There was also an influx of foreign investors and investment funds. In the first quarter of the year, they bought domestic shares valued at Sch9bn ($825m) compared with Sch2.5bn for the whole of 1989.

But by mid-year there were signs of a slowdown. Morgan *Stanley started recommending* its clients to sell its Austrian paper because it was too highly valued. By the end of June, the price gain had slipped to 28 per cent on the first six months of 1990.

The downtrend had acceler*ated when the Gulf crisis* broke early in August. Then, the bourse index had fallen by 34 per cent from its 1990 peak; it bottomed at 464.68 on Septem*ber 25, down 37 per cent from* its top.

However, traders believe that the Gulf crisis is only one factor in the sharp decline. "The index was too high to begin with," says Mr Christian Gutlederer, an official at the *Vienna Exchange.*

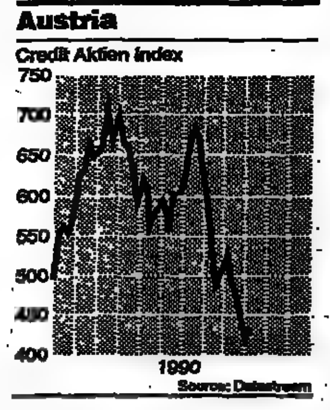
This is a view shared by Austrian brokers. Depressed about the extent of their losses, yet confident that the index will level out at around its present level, they also feel that Vienna's all-time highs may be part of history.

Is this pessimism or realism? Probably the latter, particularly in the light of:

- Company results estimates for 1990.
- The price of oil.
- Revisions in economic forecasts.

Austria

Credit Aktien index



- German unification.
- The future role of foreign investors.

Insurance companies' profits are expected to fall by 21 per cent owing *to the storms dur*ing the summer.

Profits for the paper industry are likely to be smaller, probably by around 15 per cent. One reason is the tougher competition from abroad; another reason is that this industry has invested heavily in anti-pollution measures.

There is also the cost of capital investments. Mr Erhard Fuist, head of the economics department at Creditanstalt *Bank, reckons that capital* investments have risen by 10 per cent for the economy as a whole, and 9.5 per cent in the machinery and construction sectors.

The price of oil, not surprisingly, has affected Austrian Airlines – which has fallen from Sch4,000 to Sch2,250 over the past few weeks – OMV, the oil and chemical industry, and construction companies.

Inevitably, because of the higher price of oil and the Gulf crisis, economists have revised the GDP growth rate for 1991, previously expected to reach 4.5 per cent. Earlier this week, Mr Hans Haumer, chairman of Girozentrale, said he expected a decrease of one percentage point. Unemployment is expected to rise slightly by 0.1 of a percentage point, to 5 per cent, and *inflation could rise* by 0.5 to 4 per cent. Despite these adjustments – and if the price of oil settles at $30 a barrel – Austria will continue to be one *of the most buoyant* economies in the OECD.

German unification is a double-edged sword for Austria. On the one hand, exporters will find new markets. But since the Schilling is tied to the D-Mark, any serious fluctuations in interest rates or tax increases by the Bonn government could adversely affect the Vienna exchange through lower earnings by the banks.

Finally, there is *the future* role of foreign investors. "I am telling my clients not to buy and not to sell. Simply wait," says one trader from a private bank.

How long foreign investors will wait is anyone's guess. "It is like thinking about whether or not there will be a war in the Gulf. The next few weeks will give us some indication if the present level of share *prices is realistic or not," says* Mr Gutlederer. But one thing is sure: Vienna's yuppies are no longer wagging their tails.

EUROPE

Frankfurt returns in atmosphere of decline

FURTHER decline seemed to be the order of the day in most *bourses yesterday, with Frank*furt taking two days' medicine at once, *writes Our Markets Staff.*

FRANKFURT came back to earth after Wednesday's holiday for German reunification. It saw a rise in the Bundesbank's average bond yield from 9.13 to 9.16 per cent; a 12.36, or 2 per cent fall to 605.34 in the FAZ index at midsession; and one of 22.54, or 1.6 per cent to *1,422.35 in the DAX at the* close. Volume slumped from DM6bn to DM3.4bn.

The initial decline was attributed to overnight falls in *Tokyo and New York; but the* market was also displeased with the timing of a DM1.3bn rights issue by Allianz, even although the insurer offered its customary deep discount with a one-for-11 at DM900 a share. The existing shares fell DM110 *to DM2,135.*

Deutsche Bank led other blue chips down with a fall of DM13, or 2.1 per cent to DM610.80; analysts said it was *being used as a proxy for the* market. Other banks were generally relatively strong, and Bayerische Vereinsbank rose DM6 to DM344.

Other big winners included the chemicals manufacturer and gold refiner Degussa, up DM12 to DM333, on a good day for bullion and after a sharp fall in recent weeks; Porsche, weak lately on the introduction of a US tax on luxury cars, recovered *DM32* to *DM777.*

PARIS ended lower in volume estimated at around FFr1.5bn. The CAC 40 index fell 14.74 to 1,552.74.

Investors welcomed the industrial alliance between CGE and Fiat, which was regarded as very favourable for the French company as it gave *it an unique and cheap entry* into the sheltered Italian telecommunications market. CGE rose FFr6 to FFr531 on volume of 363,250 shares, the day's most active trader.

"At first sight, CGE will be a greater beneficiary from this *alliance as it is essentially* swapping management control in a low-margin, commodity business [batteries] for management control in two of Fiat's highest margin divisions," said Mr John Longhurst at James Capel.

The banking sector was depressed after Société Générale's poor first half results on Wednesday.

SocGen fell FFR23 or 6.01 per *cent to FFr360 and BNP eased* FFR20 or 7.27 per cent to FFr255.10.

Schneider, the engineering group, lost FFr24 to FFr631. *Analysts said its first-half prof*its only showed a rise of 49 per cent thanks to a re-treatment of the previous year's figures which flattered this year's results.

MILAN also concentrated on the link-up between Fiat and *CGE*, which boosted *Fiat* by L199 to L6,787 at the official close, though it slipped back to L6,685 after-hours. Fiat's jump also failed to spur the rest of *the market on. The Comit* index dipped a marginal 0.42 to 579.08, in volume estimated at below Wednesday's 170bn.

Analysts noted that the accord with CGE was Fiat's third large industrial agreement in recent months – the others being with Ford New Holland and Enasa of Spain – and there was still speculation that Fiat would soon announce a deal with Chrysler of the US.

Although Fiat's desire to achieve critical mass in more of its areas of activity was regarded as sensible, analysts feared that this also indicated *that, over the long-term, a Fiat* overdependent on the car business might not survive on its own.

Telecommunications stocks were hurt by CGE's majority takeover of Telettra as this heralded stiffer competition in a previously cosy market dominated by state-controlled companies. Stet fell L45 to L2,055.

Banca Commerciale Italiana continued to fall in the wake of the news earlier this week that the Ferruzzi group had severed all ties with the bank. The stock lost L25 to L4,775.

AMSTERDAM was depressed by a warning from KLM, the national airline, that it could face a substantial loss in 1990/91. The CBS Tendency index dropped 2.1 to 94.7.

KLM sank Fl 2.60 to Fl 21.20, a low for the year and half its year's high of Fl 50.30. The *company said that sharply* higher fuel prices and insurance costs, and unfavourable currency fluctuations could push it into the red in the year to March 31 1991.

The copier and business systems group Océ-van der Grinten fell Fl 2.60 to Fl 38.50 after reporting a decline in net profits of 9.3 per cent in the fiscal third quarter to Fl 17.6m.

STOCKHOLM was lifted by *Ericsson shares following news* on Wednesday of several new orders. The Affärsvärlden general index climbed 2.7 to 984.6.

Total volume slipped to *SKr274m from SKr322m*, of which Ericsson free B shares accounted for one third. The stock closed SKr9 higher at SKr225.

Volvo shares rose before a press conference held after the market closed, at which the company announced that *Mr* Christer Zetterberg was to become its new chief executive officer. The free B shares rose SKr23 to SKr303.

OSLO saw Kreditkassen fall another NKr8 to NKr64.5, and the all-share index eased 4.07 to 536.02 on turnover of a mere NKr150m.

ZURICH declined in very thin trade, the Crédit Suisse index falling 5.1 to 498.2, but Nestlé kept rising with the registered shares up SFr50 to SFr7,190, for a gain of SFr550, or 8.3 per cent on the week so far.

MADRID's general index closed 3.23 lower at 219.34 in thin trading.

SOUTH AFRICA

RISING gold shares, as bullion prices rebounded towards $400, shook the market out of its lethargy. But a strong financial rand kept investors at bay. The all-gold index rose 50 to 1,552 and the all-share index added 37 to 2,716.

ASIA PACIFIC

Profit-taking overwhelms selective bargain-hunting

Tokyo

STOCKMARKET fears resurfaced yesterday, and profit-taking *overwhelmed* selective bargain-hunting to take share prices lower, *writes Michiyo Nakamoto in Tokyo.*

Turnover shrank to a paltry 320m shares from Wednesday's 550m amid fears of higher interest rates as oil prices *edged up and bonds came* under pressure again. Equities were undermined by small-lot selling in issues which had been winners in the past few *days and by selling in arbi*trage with the futures market.

The Nikkei average saw its second day of losses, dropping 571.20 to 22,278.19. The day's high was 22,829.03 and the low 22,260.10, and advances led declines by 628 to 320 with 109 unchanged. The Topix index of all listed shares lost 20.53 to 1,649.52, and in London the ISE/Nikkei 50 index was up 8.39 at 1,330.43.

The finance ministry's support measures appear to have had their intended effect of improving market sentiment.

However, the market *appears to be hemmed in, with* 20,000 indicated by the finance ministry as the lowest level it would wish the Nikkei to fall to and 23,000 effectively set by institutions as the top, according to Mr Christopher Leighton at Schroder Securities.

Another nagging worry is the effect on the Japanese economy of a proposed land tax. The domestic press has given the topic extensive coverage and a committee *is* expected to make recommendations at the end of the month.

These developments have not yet had a discernible effect *on individual share prices, but* the fear of a fall in land prices and its damaging impact on many companies has weighed heavily on sentiment.

Trading yesterday was split between quality issues with strong fundamentals and speculative issues offering quick profits. Blue-chip electricals *were firm during the day,* although most succumbed to profit-taking by the close. Pioneer Electronic, however, maintained its strength and closed Y150 higher at Y4,500. Canon, the camera and precision products maker, rose Y20 to *Y1,560.*

Some pharmaceuticals continued to show strength. They have been favoured recently as laggards and as safe plays, rel*atively unaffected by interest* rates and oil prices. The leading securities houses were eager to build pharmaceuticals into market leaders, Mr Leighton said. Daiichi Pharmaceutical, which has attracted interest for its anti-Aids drug, rose Y110 to Y2,420.

Among speculative issues, Kurabo Industries, the textiles company, advanced Y180 to Y1,450 in active trading. The finance ministry's *decision* to ease margin buying restrictions triggered renewed interest in speculative issues although concerns about the *financial position of specula*tive groups remained.

Local high-tech issues were favoured in Osaka yesterday as the OSE average rose 115.43 to 25,465.76. Turnover slipped to 19.7m shares from Wednesday's 53.5m.

Roundup

POLITICAL concerns weighed on Pacific Rim markets, espe*cially in Manila where another* coup attempt triggered panic selling. Hong Kong and Seoul were closed for a holiday.

MANILA panicked on news *that mutinous soldiers led by* Colonel Alexander Noble, the former chief of staff of Mrs Corazon Aquino's security force who joined last Decem*ber's coup attempt, attacked an* army camp in the southern Philippines. The composite index dropped 34.27 to 515.39, down 6.23 per cent, and turn*over rose to* 1.17bn pesos from 95.7bn pesos.

NEW ZEALAND fell as uncertainty before the general election to be held on October 27 kept investors sidelined. The Barclays index dropped 22.01 to 1,476.44. Turnover fell to *NZ$12.3m from NZ$17.2m.*

KUALA LUMPUR finished lower as turnover fell to the year's low of 15.2m shares from 27.9m. The composite index fell *1.10 to 467.32. An announce*ment after the market closed that parliament would be dissolved and a general election held shortly is expected to revitalise trading today.

SINGAPORE saw volume fall sharply to S$31.9m from Wednesday's paltry S$57m. The Straits Times industrial index lost 1.67 to 1,117.60.

TAIPEI fell initially on rumours that a textile manufacturer, *Hualon Group*, was in trouble. But prices ended higher on firmer bank and construction stocks on news that the government planned to *increase investment in public* works. The weighted index rose 32.3 to 2,626.05 after hitting an intraday low of 2,524.81. Volume eased to NT$11.43bn from NT$14.12bn.

AUSTRALIA fell to its lowest level since March 1988. The *All Ordinaries index fell 16.9 to* 1,368.5, the day's low. Turnover rose to A$174m from A$148m.

Mr Rupert Murdoch's News Corporation fell 26 cents to *A$6.66 on turnover of* 1.9m shares, as company proposals to merge four Australian newspapers into two failed to warm sentiment towards the stock.

BANGKOK *finished lower on* speculative selling fuelled by rumours about a possible cabinet reshuffle. The SET index fell 41.86 to 671.99.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 4 1990								WEDNESDAY OCTOBER 3 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	134.31	−1.1	104.18	112.64	107.09	107.07	−1.4	7.23	135.82	105.98	116.85	109.03	108.63	158.31	125.85	158.93
Austria (19)	190.41	−0.9	147.69	161.11	151.81	152.17	−1.4	1.79	192.11	149.91	165.28	154.21	154.31	285.63	178.57	166.23
Belgium (61)	133.27	+0.2	103.37	112.75	106.25	103.86	−0.2	5.58	132.96	103.74	114.37	106.72	104.10	160.02	126.67	142.37
Canada (120)	128.47	+0.1	99.65	108.69	102.42	105.86	−0.1	3.75	128.33	100.14	110.40	103.01	107.01	153.61	127.51	153.89
Denmark (33)	246.23	+0.5	190.98	208.33	196.31	196.08	−0.4	1.51	244.89	191.09	210.68	196.58	196.93	277.62	234.05	199.64
Finland (26)	103.67	−0.8	80.41	87.72	82.65	79.57	−1.6	3.44	104.53	81.57	89.93	83.91	80.85	152.29	103.43	124.98
France (123)	132.88	−0.3	103.06	112.42	105.93	107.13	−0.9	3.84	133.26	103.99	114.64	106.96	108.13	168.85	124.98	138.22
Germany (91)	110.08	−1.4	85.38	93.15	87.76	87.76	−2.1	2.56	111.64	87.11	96.06	89.61	89.61	144.63	101.38	102.50
Hong Kong (48)	117.07	+0.0	90.80	99.05	93.34	116.60	+0.0	5.66	117.03	91.32	100.68	93.95	116.60	147.49	112.24	118.44
Ireland (17)	153.44	+3.4	119.01	129.82	122.33	123.76	+2.9	4.22	148.34	115.75	127.62	118.07	120.26	198.57	139.04	162.33
Italy (91)	86.92	+0.8	67.42	73.54	69.30	74.64	+0.2	3.27	86.20	67.27	74.16	69.19	74.50	109.26	80.87	92.32
Japan (454)	118.29	+0.0	91.75	100.08	94.32	100.08	−1.6	0.84	118.24	92.27	101.72	94.93	101.72	197.26	108.58	185.27
Malaysia (35)	185.02	−0.1	143.51	156.54	147.51	192.22	−0.1	3.18	185.19	144.51	159.31	148.65	192.46	250.89	182.96	207.77
Mexico (13)	489.92	−0.2	379.99	414.51	390.59	1550.44	−0.3	0.33	490.88	383.04	422.31	394.04	1555.56	561.41	324.53	312.52
Netherland (42)	132.47	−0.4	102.74	112.08	105.61	104.57	−1.1	5.45	133.01	103.79	114.43	106.77	105.69	149.03	127.56	131.34
New Zealand (16)	56.36	−2.0	43.71	47.69	44.93	48.56	−1.8	7.15	57.53	44.89	49.50	46.18	49.34	75.36	55.62	82.11
Norway (26)	245.32	+0.3	190.26	207.57	195.59	198.87	−0.2	1.56	244.50	190.79	210.35	196.27	199.28	276.79	202.34	184.00
Singapore (25)	151.07	+0.1	117.17	127.82	120.44	121.80	−0.6	3.46	150.96	117.79	129.87	121.17	122.47	209.24	147.24	166.00
South Africa (60)	166.33	+1.6	129.01	140.73	132.61	138.51	+1.6	4.19	163.64	127.69	140.78	131.36	136.26	251.39	160.85	157.74
Spain (42)	137.49	−1.1	106.64	116.33	109.61	100.36	−1.5	5.49	138.97	108.44	119.56	111.56	101.91	182.25	120.64	165.67
Sweden (27)	180.83	+1.7	140.25	153.00	144.17	151.78	+1.1	2.67	177.79	138.74	152.96	142.72	150.09	234.93	158.07	182.30
Switzerland (67)	90.52	−0.1	70.21	76.59	72.17	71.63	−0.8	2.98	90.60	70.70	77.95	72.74	72.21	109.77	85.00	92.01
United Kingdom (300)	157.51	−0.2	122.17	133.25	125.56	122.17	−0.8	5.69	157.75	123.09	135.70	126.62	123.09	176.18	139.87	150.93
USA (533)	126.00	+0.3	97.72	106.61	100.46	126.00	+0.3	3.60	125.56	97.98	108.03	100.79	125.56	148.95	121.30	145.14
Europe (967)	132.74	−0.3	102.96	112.32	105.84	104.45	−0.9	4.46	133.13	103.88	114.53	106.87	105.41	157.05	124.91	130.92
Nordic (114)	185.54	+0.9	143.91	156.98	147.92	145.73	+0.2	2.07	183.83	143.45	158.16	147.57	145.47	223.29	172.58	168.07
Pacific Basin (556)	118.66	+0.0	92.04	100.40	94.61	100.68	−1.6	1.29	118.69	92.61	102.11	95.27	102.27	192.75	107.82	181.71
Euro – Pacific (1523)	124.73	−0.1	96.74	105.52	99.43	103.00	−1.3	2.66	124.90	97.46	107.44	100.25	104.33	174.18	116.03	161.52
North America (653)	126.08	+0.3	97.77	106.67	100.52	124.76	+0.3	3.89	125.64	98.04	108.10	100.87	124.36	148.43	121.39	145.56
Europe Ex. UK (667)	117.16	−0.4	90.87	99.15	93.43	93.83	−1.0	3.57	117.61	91.77	101.20	94.43	94.80	145.62	109.94	117.78
Pacific Ex. Japan (202)	122.35	−0.7	94.90	103.54	97.56	104.73	−0.9	6.31	123.19	96.13	106.00	98.90	105.67	148.72	121.14	138.85
World Ex. US (1816)	125.47	−0.1	97.32	106.17	100.04	103.86	−1.2	2.72	125.60	98.01	108.07	100.85	105.12	173.77	117.12	161.31
World Ex. UK (2049)	121.45	+0.1	94.20	102.77	96.84	109.59	−0.6	2.80	121.36	94.70	104.41	97.43	110.30	162.00	115.37	154.80
World Ex. So. Af. (2289)	124.40	+0.0	96.49	105.27	99.19	110.64	−0.7	3.12	124.36	97.04	106.99	99.83	111.40	161.84	118.04	154.42
World Ex. Japan (1895)	129.20	+0.1	100.21	109.32	103.02	116.64	−0.2	4.21	129.13	100.76	111.10	103.67	116.89	151.59	124.31	140.08
The World Index (2349)	124.66	+0.1	96.69	105.47	99.39	110.83	−0.7	3.13	124.59	97.22	107.19	100.02	111.57	162.05	118.33	154.44

Constituent changes 4/10/90: Additions: Leu Hldgs.Registered (two lines)(Switzerland).

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FINANCIAL TIMES SURVEY

OFFICE SYSTEMS & TECHNOLOGY

SECTION III

Friday October 5 1990

While the influx of electronic equipment has already transformed the office, greater changes are on the way as managers and developers discover that with the new technology comes a need to rethink the structure of management and the design of buildings, writes **Della Bradshaw**

New frontiers in flexibility

COMPANIES IN almost every business sector now see the successful exploitation of information as one of the most effective tools in beating the competition. Most realise that to achieve this requires the successful use of information technology equipment.

Wrongly-selected electronic gadgets can prove costly and ineffective and they can seriously damage the profitability of the company.

As a growing number of companies realise the benefits of office technology, the impact of equipment on the office environment grows too, changing the work we do and how we do it. The changes now mean that technology is driving the design of offices and buildings.

The past decade has seen its share of changes: secretaries who were closeted in typing pools to smother the sound of their clattering typewriters are now being moved to open plan offices using much quieter word processors or personal computers.

But the next ten years will bring even more changes, and in their wake even more challenges for the office designer and the office manager.

Driving many of the changes will be the PC or workstation. One in every three or four office workers now has a PC on his or her desk, but that will grow rapidly to one per desk in the mid-1990s, predicts the information technology consultancy Butler Cox. So, too, will there be more facsimile machines, scanners and portable phones.

With this influx of electronic widgetry will come the need for changes in the infrastructure of a building. It is no longer just a case of dropping a PC on a desk here, or plugging in a fax machine there.

The burden of office technology has proven too much for many older office buildings which were not designed with the computer in mind.

A recent survey conducted in the City of London by Butler Cox revealed that 80 per cent of available office space was unsuitable for City companies. The buildings were too inflexible to support the intense computing and communications requirement of financial institutions.

The situation is improving, but developers are slow to build in the infrastructure to cope with the huge amounts of cabling that networked computers and high speed communications demand. By giving over prime office space to ducts they are cutting back the "square footage" and so the price they can charge for the offices.

More forward-looking developers, such as Olympia & York, which is building Canary Wharf in London's Docklands, try and build in flexibility by planning for technology-intensive use: "We're working on the assumption that all the offices will be filled by banks, which are very heavy users of computer and communications equipment," says Mr Malcolm Humphreys, telecommunications manager on the project.

Each of the 26 to 29 buildings in the finished project will be served by banks of phone lines from British Telecom, Mercury Communications and the local cable television company.

It took nearly two years of planning to ensure each phone company had two access points into each building – so that the tenants have two different ways of sending calls out, deemed essential by many financial institutions which fear a potential loss of business if their communications are severed.

Because Canary Wharf is largely a speculative development, Olympia & York has had to take the same approach to the design of the buildings' interiors, with the ducting and raised floors needed to handle computer cabling.

Others are more sceptical about whether planning now will result in the required flexibility later. "I think that architects and businesses have to adopt the philosophy that a building has no degree of permanence," says John Cossins, architect and senior partner at Thomas Saunders Partnership.

He argues that the only permanent structures should be the basic steel and concrete infrastructure, and possibly the floors, but that office tenants should be resigned to refurbishing and refitting their buildings on a regular basis to cope with changing demands.

Predicting changing demands of office technology will be difficult. But equipment manufacturers believe there are several major trends in the office technology market.

● The increase in the number of computers – both PCs on the desk and main processors in the computer centre – could bring bad news for the office developer, says Mr Peter Bacon, head of the building technology group at Butler Cox. About 10 per cent of the space in modern buildings could be required to house the technology – ducts for computer wiring, specially-cooled computer rooms and underfloor cabling.

Even if contractors have accepted the idea of the computer room, many of them have not considered all the implications, says Mr Bacon. The raised floors, used to house the cabling, have to be deeper than in general purpose offices – about 450 mm instead of the usual 200 mm.

Rooms that house computer systems and telephone exchange equipment also need extra air conditioning.

● The increasing number of PCs with colour screens – up to 40 per cent on present reckoning, and growing all the time – will increase the demand for colour printers and photocopiers.

Continued on Page 12

As use of technology increases, especially in the financial sector, the need to change the office infrastructure is becoming urgent

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OFFICE SYSTEMS & TECHNOLOGY 2

Equipment is becoming more powerful and versatile, discovers **Della Bradshaw**

Personal computers come of age

TEN YEARS ago the office computer system was a mainframe or mini-computer which was locked up in a specially-cooled office where only the technically-minded dared tread.

It was a scapegoat machine blamed for everything from the late arrival of Friday's pay slips to mistakes in the accounting proceedures.

Ask a company employee to point out the office computer today and they are likely to indicate a sleek white personal computer with a colour screen sitting on their desk. It will be operated by a typewriter-like keyboard or a mouse and probably linked by a local area network to printers and other sleek white machines.

The coming of the age of the personal computer as the mainstay of office technology has been both rapid and pervasive. Smaller companies which would never have dreamt of having a computer system five years ago now have the ubiquitous PC to run their accounts, organise their sales forecasting or operate word processing software.

Meanwhile PCs are replacing dumb terminals in larger offices in what has become known as "client-server computing". Data from the large computer system can be downloaded on to the PC for manipulation or local storage. Even senior managers have stopped boasting that they have never touched a keyboard.

The overwhelming popularity of the PC is reflected in the accounts of all the major computer companies: the PC now generates more revenue than any other piece of equipment. Last year \$67.9bn (£36.10bn) worth of PCs were shipped worldwide – an increase of 31 per cent over 1988, according to Dataquest, the Californian information technology consultancy.

In the UK, companies such as Amstrad, with its low-cost word processor and general purpose PCs, have helped secure the position of the PC in the smaller office.

Meanwhile more powerful machines are appearing on the desks of staff formerly loathe to use the equipment – the chairman or managing director, for example.

One application promising terrific growth potential is executive information systems (EIS), which allows company bosses to dip into the corporate database and extract and analyse data.

While miniaturisation means PCs are becoming ever more powerful and able to run increasingly complex software, the falling cost of computer hardware means that the workstation, traditionally the tool of the engineer or designer, is meeting the PC halfway, and finding its way into the office environment too.

Leading the pack is Sun Microsystems, which, earlier this year, launched a workstation priced at £4,000 – comparable in price to some powerful PCs. When workstations made their debut in the 1980s they cost hundreds of thousands of dollars. Others workstation manufacturers are likely to follow Sun's lead.

The workstation is likely to find a home in areas where office employees need to process huge amounts of data at speed. Desk-top publishing is one example, as well as other areas which rely heavily on computer graphics or number crunching – complex spreadsheets or financial modelling, for example.

For many in the computer industry – let alone the user of computers – the distinction between the PC and workstation is extremely blurred. Some manufacturers say the workstation is characterised by speed and power.

A workstation must have the "three Ms" – one megabyte of memory, one Mips (million of instructions per second) of performance speed and a million pixels (picture elements) on the screen. Others meanwhile put it down to the central processor: it has to be a 32bit system.

Others believe the difference is more fundamental, and is determined by the operating system it runs – Unix is often seen as the workstation operating system. Bill Passmore, head of Sun Microsystems in the UK, believes a workstation has three characteristics. Firstly it has a sophisticated user interface, using pictorial icons on the computer screen. Secondly it is powerful enough to give an instant response to the user. Thirdly it has advanced communications and can share tasks around a network.

The large processing power of workstations, combined with falling prices, has led them to be considered by companies as a way of increasing staff productivity, especially among highly-paid staff or in areas where employees are difficult to recruit.

But workstations do have their drawbacks. Until recently, one of the problems in using a workstation for clerical and general office tasks was that there was little packaged software to run on it. Over the past year there have been movements afoot with many of the major software houses announcing that they have adapted their popular MS-Dos spreadsheet, word processing and general business software packages to run on Unix-based machines.

While the PC is facing competition from the top end of the market, it is also being threatened from smaller machines. The growth in the laptop computer market is continuing. The worldwide market for laptops was worth \$3.5bn in 1989, more than three times the 1987 figure, according to Dataquest.

Market leaders in the laptop market are Toshiba, Zenith and Compaq, which are competing with the traditional desk-top computer makers such as IBM and Apple.

The latest competitor to the PC is even smaller, the pocket-book computer, which weighs just a few pounds and is the size of an A4 sheet of paper. This market is dominated by Japanese manufacturers, along with Psion of the UK.

But perhaps most fearsome of all to the PC vendor is equipment where two powerful technologies – the laptop and the workstation – combine. Toshiba, for example, has launched a workstation in Japan, which packs the processing power of the workstation into a portable laptop unit.

Increasingly complex software means the workstation is meeting the PC halfway

PORTABLES

Laptop no longer a rarity in the market

THE long promised portable computer revolution appears to have finally arrived. The business person who works at home or on the move with his or her laptop is no longer a rarity. The portable at work is no longer a curiosity, merely a business tool.

The impression that the portable revolution had taken off is confirmed by the rapid increase in the number of machines sold. European sales of portables have increased from about 129,000 units in 1987 to approximately 256,000 in 1988. Data Quest, the US based market research company, estimates that last year sales reached 482,000 units and during the first six months of 1990 as many as 240,000 machines were shipped.

Elsewhere, portables are also selling well. In Japan, laptops now represent 46 per cent of the personal computer market – a level of penetration far greater than earlier expected by manufacturers. Only 18 months ago, Toshiba, the world's largest manufacturer of portables, had predicted that laptops would represent 70 per cent of personal computer sales at the end of the decade. In Japan that target could well be beaten by 1995.

Portables have taken off because increasing performance of the machines means the consumers no longer have to compromise when using them. In addition, portable computers have finally reached the stage when they can merit the name "portable". Early machines were more lap crushers than lap tops. The industry is now talking about palm tops.

The most significant remaining hurdle to overcome remains colour, however. For those who have never used a colour screen, colour may appear something of a luxury. But even for something as simple as differentiating between text with different word processing codes, colour can prove invaluable. Moreover, it is almost impossible to obtain full value from the latest generation of software, such as Microsoft's best selling Windows 3, without colour.

Certainly, Mr Christoph Selig, the Deputy General Manager for the Marketing Division of Information Processing Systems at Toshiba Europe, believes that colour will be the big issue for the next 12 months.

He believes that colour will represent a significant breakthrough, allowing portables to really penetrate the desk top replacement market. Although he admits the colour will initially be expensive he says it is not Toshiba's aim to sell the products at premium prices. As soon as quantities increase, the cost of colour will fall to reasonable levels, he says.

The main problem about colour, according to Mr Selig, is screen technology. He says that LCD technology is too slow to be used successfully with windows and mice. The enabling technology will be thin film transistor equipment which offers brilliant colour and better contrast than the cathode ray tubes now used in desk top machines.

Toshiba's T1600 takes permits portable desktop publishing

A further reason for the rapid expansion of the portable market is the soaring cost of the machines. Consumers no longer have to pay significant premiums for portability.

Nearly every important supplier of personal computers – give or take IBM which has had a couple of disastrous forays into the market – has launched a portable machine over the past year.

The rapid growth of the laptop market – which has coincided with other computer sectors experiencing difficulties in reaching double digit growth – has proved irresistible for most computer companies. Some non computer manufacturers have even been tempted – Nikon Steel is reported to be planning a machine.

However, at the same time the rapid expansion in the number of portable suppliers, sales growth has started to slow and is no longer at the heady annual rate of 98 per cent achieved two years ago. High interest rates in the UK, concernns among West German companies about capital expenditure before unification and economic worries in France have managed to affect growth.

Those portable companies unable to maintain their margins through technological features have been forced to cut their prices. This has been particularly true in the heavier end of the market where the discounts available on five to 7.5kg battery operated machines have grown ever larger in recent months. Even Toshiba the European market leader, has launched price promotions in Belgium, France, Italy, Switzerland and West Germany. Compaq has also been cutting prices.

Nevertheless, in spite of price cuts the most recent figures from Data Quest show that Toshiba's share of the market scarcely fell in value terms from 38.9 per cent in 1989 to 38.5 per cent during the first half of 1990.

Mr Selig says that Toshiba's mainstay is its distribution network: the company has penetrated about 60 per cent of European IBM dealerships. Although the company has been experimenting with mail order in West Germany it remains committed to its dealers and believes that its relationship with them remains one of the most significant barriers for new entrants.

One of the methods of maintaining the fidelity of the distributors is to offer a wide range of products, according to Mr Gian-carlo Bisone, the vice-president for marketing at Compaq Europe and the company's International Divisions. He argues that it is difficult for new entrants to offer dealers a credible range of products, even if they manufacture a machine with interesting technology.

At Toshiba, Mr Selig points out that the recent squeeze in the market has resulted in vendors reducing the number of different suppliers that they stock.

"The latest technology may be interesting from a journalistic point of view, but the average user couldn't care less," says Mr Selig. "Rather, they are interested in a full line of products which match his or her requirements, as well as reliability and after sales service."

Paul Abrahams

A digital copier: a new era of creative copying

Laura Blair finds that a wide range of creative options is no longer a priority among copier users

Demand moves from features to reliability

TODAY THE buzzword in office copying is "reliability". Not so long ago it was "features". And it is easy to see why suppliers have redrawn their battle lines.

Office copying is a large market with an installed base of 700,000 in the UK, including 200,000 "personal copiers", most of them used as office machines – but this is a mature market, most sales consisting of replacements for existing machines. Users are now thoroughly familiar with copying technology and what the machines can do.

Users have proved less interested in creative features such as colour and editing than in the bread-and-butter activities of making fast single copies, or running off duplicates of multi-page originals, with as much speed and as little fuss as possible.

Suppliers are responding to the users call. Ranges are being extended upwards into the high speed/high volume area, broadly defined as upwards of 60 copies per minute and 70-100,000 copies per month.

New, simpler versions of many models are also being offered as alternative choices. The much-heralded digital/laser copying technology remains confined, as far as monochrome black and white copying is concerned, to a couple of token models.

However, terms such as "high-speed", "high-volume" and "simpler" have acquired new nuances since the days when everyone had to queue up for their turn at the company photocopier.

People are talking about true speed and – time being money

Users want speed with as little fuss as possible

– true cost: meaning how long it takes staff to go from their working place, to make the copies and return. Plus the unquantifiable length of time spent trying to negotiate the elaborate control panels for all the "clever" copier modes.

Similarly, high-volume copiers are now popular because of their capacity and reliability, and not necessarily because the users want them for long copying runs.

Fewer maintenance calls and less frequent paper loading, as well as automatically fed originals with automatic sorting and stapling of copies, are all being perceived as convenient features – whether high-volume copying is needed or not.

"Speed and reliability have become synonymous with convenience," said Mr Jolyon Baldwin, marketing director of Canon copiers division.

"Economic pressure has prompted companies to automate, ending up with fewer but more qualified and expensive staff. It is therefore more important for companies to save their staff's time, and also to pamper them more, by providing faster, more practical, more ergonomic machines, closer at hand," he said.

A pampered environment in copier terms means more copiers per building, more copiers per department and more per desk. This is not entirely new – "decentralised copying" is already a feature of many offices – but it has recently become much more popular. The copying market, which has been static for a long time, has responded with a 10 per cent growth rate.

Most new machines at every level – desktop, mid-range, high-speed – are faster and more reliable than those they replace. Although mid-range 20-40 pages per minute copiers make up the bulk of the market, Japanese manufacturers like Canon and Sharp, are begining to turn their attention to the high-volume area, with high-speed models aimed at monthly copy volume of 150,000.

Whether this upward mobility will affect the balance of power in the copier world remains to be seen. Canon commands a 26 per cent market share, followed by Xerox – still concentrating on the high and very-high volume end – with 17 per cent. Gestetner, Kodak and Oce also have small stakes in the rarefied top-end sector.

But the rest of the market is dominated by Japanese suppliers, with Sharp slightly ahead of a pack which also includes Ricoh, Panasonic, Minolta, Toshiba, Mita and Konica.

As for the budding enthusiasm for features simplicity, everything is relative. "Basic" now includes features that two or three years ago were considered advanced: such as enlargement and reduction zoom copying. A3 size-for-size and (optional) double-sided copying. But there is a willingness to dispense with the so-called "creative" features, like colour highlighting or editing by moving or erasing nominated areas of the original when copying. Some suppliers argue this is because features such as colour and editing are still relatively new features; others maintain they are not new, but irrelevant.

Of adding spot colour to black and white copies, Mr Robert Robb, Group Marketing of Sharp and facsimile division says: "Many users simply don't use it; we know this from the small number of replacement colour cartridges sold."

Editing can only really be done on a digital copier, which converts the scan of the original into digital signals and can manipulate the original at will. Many now believe that a new era of creative copying will dawn when digital copiers begin break cover.

Suppliers argue digital technology is the way forward

However, Canon argues that digital black and white copiers full of editing features are not a future technology at all, but a yesterday technology – they introduced the first laser copier to the market four years ago, and this has now been superceded by full-colour digital copiers.

The kind of users who need elaborate editing, Canon says, need it almost entirely for colour originals, or to turn dull black and white originals into artier versions which are not copies at all, but have had various colours introduced into them. And full-colour copiers can also copy in black and white.

Other suppliers argue that digital technology must be the way of the future. Editing apart, "Digital copiers are more reliable because they have fewer mechanical parts, and can also be linked to computers or function as fax machines", says Ricoh.

However, the wisdom of turning plain if specialised office machines such as copiers into multi-functional communications devices is debatable.

At any rate it seems out of step with the current trend towards walk-up simplicity. Only Ricoh and Konica have black and white digital copiers, Konica's providing three colour as well as black and white.

Meanwhile, as an indication of how things stand with the users end of the copier market, recent research by Marplan commissioned by Toshiba shows that 55 per cent of copier users lease or rent their machines – 86 per cent of these over a period no longer than four years – and that 90 per cent of users appear to be happy with the performance of their copiers and the service they get from suppliers.

COPIERS

Full colour not yet ready for office needs

COLOUR COPYING has been slow to arrive, but it now seems set to revolutionise not only the graphic arts and reprographics but even business communications. Suppliers are touting market research showing that in three or four years 60 per cent of all copying will be in full colour with 40 per cent of that general office copying.

We live in a multicoloured world, it is argued, not a monochrome one, and in every other aspect of our lives colour is the norm – clothing, buildings, television, business and graphics. Hence the inevitability of colour copying.

Certainly colour copiers have already graduated from copy shops to offices sucessfully – but the offices concerned are design studios, advertising agencies, cartographic specialists and others whose line of business is the handling of colour originals.

On this fertile ground colour copiers come into their own, not only as straightforward copying devices but because, in the case of digital colour copiers, the originals can be treated as raw material in the creation of other documents. Using these copiers, the colour, or colour accent, of an original can be changed, images can be enlarged, reduced, tilted, rotated, reversed or distorted for artistic effect.

But most general office documentation is black and white so the office requirement for colour copying remains debatable, although if full colour copiers were as fast and inexpensive to buy and run as black and white everyone would use them.

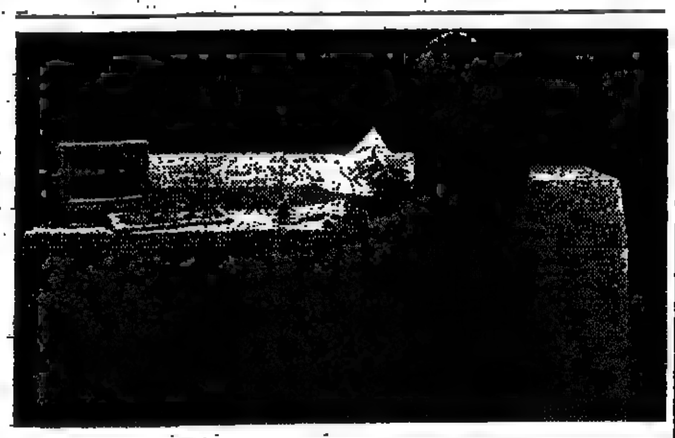
But they are not. All colour copying technologies are slower and more expensive than black and white. Typical machines can only manage five to seven copies per minute (typical black and white copiers are at least three times faster) and cost – at the most useful creative digital end of the market – from £12,000 to £25,000. A typical black and white copier is under £5,000.

There are colour exceptions but with disadvantages. Brother has a very slow and basic model for £5,000, and Kodak a non-creative machine which colour copies at 23cpm, but at a price of £37,500 while Canon's fast and extremely sophisticated bubble-jet colour copier, for originals of up to AO size, is priced at £70,000.

It seems colour copiers are not suitable for bread and butter office use – but then office needs may change.

At present the colour copying market in the UK, of which Canon has a 78 per cent share, consists of 22,000 installed machines using four different technologies. The runners in the field are: Canon and Panasonic with digital-xerographic models; Kodak, Ricoh, Infotec and Sharp, with one analogue-xerographic machine each; Konica with a machine using a dry-photographic process; and Brother with the cheapest machine using encapsulated ink Cycolor technology.

Laura Blair



High-volume printing of financial documents

A CONCEPT called "demand printing," using the latest developments in LED (light emitting diode) technology, has been introduced by Kodak in the UK.

The system, which offers sophisticated document production, is the Ektaprint 1392, model 24, (illustrated above) and is capable of printing up to a million impressions a month. It has the capacity for up to 3,500 sheets of 75gms paper, in two paper supplies.

High-speed "demand printing" has particular applications for in-house printing departments in the financial services market, since the 1392 system can quickly add updated information to documents within a standard format, allowing the very latest data to be included in company reports.

The elimination of large stocks of documentation provides significant cost benefits to users, since documents can be frequently revised and updated with the system, claim the makers who have set up several test sites for the printer in the UK. The system aims to boost document-control facilities, since reports need only be produced when required, with less demand on in-house print departments to monitor large stocks of documentation, thus making the print room more effective.

The Ektaprint 1392 puts images on paper electrophotopgraphically, allowing the user to print on-demand at speed and in high volume. The LED print head system achieves a resolution of 300 dots per inch.

A powerful raster image processor, comprising three MC68000 microprocessors, enables rapid processing on the system. An in-built memory, with 18Mb RAM and 20Mb hard disk, allows documents to be printed "full-set" while allowing the key operator to proof or extract early copies, as required, for correction.

Facilities management is gaining credibility

Fast growing sector

THERE WAS a time when everybody who worked in the office, from the managing director and high-powered sales force to the person who cleaned the carpets or pushed the tea trolley were employees of that company. Now times are changing.

From the office cleaners to the catering department, more and more offices are hiring outside companies to take care of non-essential parts of their business. Now even the person who looks after the potted plants is working under contract.

But would you employ an outside company to look after your computing, communications and office equipment needs? As the idea gains credence, a growing number of companies – from banks to retail chains and manufacturers – appear to be answering "yes" to that question. They are employing organisations called facilities management, or FM, companies to run their computers and other high-tech office equipment.

FM is proving so popular in the UK computer sector that it is now the fastest growing sector of the UK computer software and services market, according to International Data Corporation, the European information technology consultancy. The FM market in the UK is around \$392m (£208.50m), about five per cent of UK software and services marketplace, and according to Mr Donald O'Sullivan, market analyst for IDC, the market is likely to continue to grow at an annual rate of 25 per cent for the next two years.

Facilities management first took off in the US, but is now rapidly gaining favour in Europe. Possibly as a result, the fastest take-up in the UK is in companies with "US-style management", reports Mr John Falconer, general manager of Rank Xerox Business Services, a company set up in January this year to offer facilities management services to companies who were wanting to off-load their printing and photocopying needs.

Companies are finding plenty of good reasons to choose the FM route with companies such as the Hoskyns group, Datasolve or Andersen Consulting, rather than go it alone.

A widget manufacturing company, for example, wants to design, make and sell widgets. It does not want to become a computer installation company and become charged with wiring personal computers into its offices, installing workstations into its design centre and loading inventory control software into the factory mainframe.

More recently the skills shortage in the computing sector has played a part, with companies finding it increasingly difficult to employ suitably-qualified staff.

Instead they are passing the problem on to FM companies. The problem is particularly acute with smaller companies, where the staff may become

Cutting company costs is the biggest advantage of FM

disillusioned with spending too much of their time doing hardware or software maintenance work, rather than developing "state-of-the-art" computer systems.

And because new information technology equipment seems to appear on the market even more frequently than higher interest rates, opting for FM contracts can reassure companies that they can drop out of the IT race, and let a contract person keep in touch for them.

Perhaps most importantly, companies are turning to FM because it can save them money.

- To begin with, they are often swapping a fixed cost (of buying new equipment) with a variable cost spread over a period.
- Secondly, they use extra services only when necessary – they do not have the expense of installing the equipment to deal with the peaks. That applies not just to companies with a seasonal market, but to those which need to employ extra staff for a short period – for a host of different reasons.
- And thirdly there are the savings accrued through the economy of scale in which the FM companies deal,in both equipment and staff. They can afford to buy mainframe computers and divide them up so that different parts are used by different clients. They can also employ groups of staff with a specific expertise which a number of clients may need.

One recent trend, according to the Association of Facilities Managers, is the number of companies that are turning to a single company, such as P&O Total Facilities Management, to take care of all the office services. Instead of getting 10 or 20 different bills from a list of different companies, these total FM companies can take care of everything from the catering to the computers and the telephones to the energy management. And they send in one bill.

Facilities management companies are proving particularly popular in the field of energy management, where computer-based controllers monitor heating, ventilation and air conditioning and achieve the desired conditions with the minimum energy input.

Despite the obvious advantages, FM is still an emotive issue. In particular, there are two ideas that companies have to come to terms with before they opt for FM. The first is that the information is too valuable to let outsiders have access to it.

FM companies argue against this by saying that the security employed by most companies is well below that enforced by FM companies. Most FM companies, for example, have at least one data centre designed to withstand a terrorist attack.

And, because there is a contract between the two companies, there are grounds for redress if data is lost or stolen. If a hapless employee accidentally wipes a computer database clean, by contrast, there is little the company can do about it.

The second, and most difficult to argue against, is the belief that information technology is too important to the strategic development of the company to leave it in the hands of outsiders. The FM companies argue that because they employ highly-skilled staff, they are equally capable of doing the job.

Della Bradshaw

Electronic typewriters are still alive and well, writes **Julie Harnett**

Market holds steady, say suppliers

WHILE THE sceptics are continually writing the final act for the typewriter, you only have to walk into any office, bank, building society, local authority or government department to see that the electronic typewriter is alive and well.

Proof comes from suppliers who claim unit sales, as in the past four years, running at a steady annual 500,000 pa, give or take 10,000.

"The market overall is fairly sticky at the moment, but it is holding steady despite the economic conditions," says John Timbury, Marketing Manager of AEG Olympia.

Nevertheless, suppliers agree that there has been considerable change within the market, with purchasers turning away from standard, non-memory typewriters and towards either compact machines that can act as a complement to the personal computer or screen-based typewriters that can also act as a PC and a word processor.

UK industry figures underline the trend towards memory machines.Four years ago, non-memory machines accounted for almost 30 per cent of the typewriter market; today, they account for a mere 5 per cent.

But while in 1986, 12in carriage portables accounted for around 27 per cent of the typewriter market, today they account for almost 60 per cent. Responding to this, Canon is about to launch two new portables, the Typestar 210 and the E53, and Sharp has launched the new PA-3140 and PA-3100S.

Compacts with 14in carriages, are also becoming popular after a two-year lull, the result of which is increased competition and continued investment by manufacturers such as AEG Olympia, Canon, Brother, Hermes, Olivetti, Panasonic. It is estimated that sales in the compact/portable ET marketplace will grow between 20 and 40 per cent above 300,000 unit sales level of 1989 during the next 12 months.

Evidence that the typewriter is the perfect bedfellow for a PC can be seen from the fact that AEG Olympia, Brother and Olivetti Office, all of whom are now firmly established in the high-powered PC market, are claiming healthy sales of electronic memory and screen-based typewriters.

Addressing the current market demand for compact typewriters with screen options, AEG Olympia has introduced the Viewtyper, a plug-in add-on which can be attached to most of the "i" series of ETs and is said to make the normally onerous task of form-filling much easier with precise infill positions capable of being programmed for re-use.

Another new product, the Comfort WP, is the AEG Olympia answer to the emerging market for compact ET/WP machines at under £700. A PC-compatible model which provides the ability to access ASCII files from a PC (such as MS Word and Word Perfect) and offering two-way integration with other office systems is also to be made available at under £900.

Olivetti Office, too, sees an increasing demand for PC compatibility. Mr Derek Puplett, marketing manager, said: "We will be launching enhancements to the ETV2000 video typewriter series as well as a new model in the very near future".

Mr Puplett nevertheless believes that the new AT-compatible ETV 4000S video publishing system that comes complete with software, adjustable typewriter-style keyboard, silent thermal printer, 14in VGA high resolution monitor and mouse will prove the major success of 1991.

Mr Tony Bradshaw, marketing manager of Hermes, is equally optimistic about his company's version, which is called the SBE90: "Without access to a PC, some secretaries feel they are not keeping abreast of modern office practice. Others are filled with trepidation about being trained to use a computer.

"The new Secretarial Workstations, such as our 80286-compatible STT60 bridge that gap," he said. " and the SBE90 is the logical extension, taking the secretary into the world of document publishing".

Both machines will retail at under £2,800, offering PC/AT, MS DOS and Windows compatibility and will be supplied with 11 applications programs, including a text editor, secretarial database for keeping address records and a document composer for amalgamating layouts of text and/or graphics on the same page.

The other contender in the secretarial/office publishing market is AEG Olympia, which has launched the Excellence, a modular system expected to appeal to companies needing to upgrade their ETs or dedicated WPs or want to replace old PC XTs with a more cost effective, easier to use solution than a new PC might prove to be.

Based on a modular concept, the Excellence enables users to start with a typeset quality daisy-wheel ET capable of a printing resolution equivalent to 1,100 dots per inch (against the laser print norm of 300dpi), and build up to an integrated office DTP system complete with PC and laser printer if there is a requirement to produce documents that are able to contain illustrations as well as text.

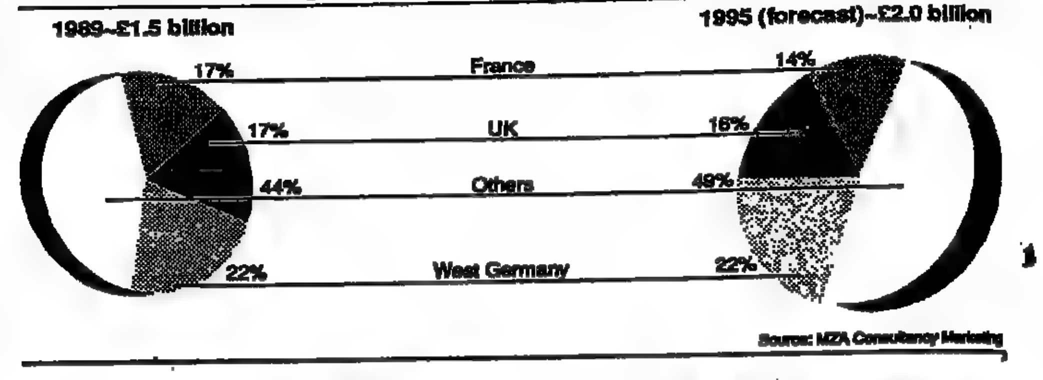
Added refinements, such as newspaper style column layouts and the ability to wrap text in 6-12pt sizes around pictures using a couple a keystrokes, make it an ideal system for normal typists who have neither the time nor inclination to learn the intricacies of DTP software. The price range is expected to start from under £2,000 for the ET to under £5,000 the complete system.

At the other end of the scale, the main trend is towards portable word processors, a market sector currently dominated by Brother, Olivetti and Smith Corona, with Panasonic a recent contender. Unit sales in 1989 are put at around 50,000 with significant growth forecast for 1990/91, with new entrants expected to include Sharp.

Despite impending competition, Mr Trevor Brooks, Managing Director of Smith-Corona UK, believes his new line-up of word processors planned for October launch will enable the company to maintain its lead: "The UK is still behind the rest of the world in the number of typewriters per household. In the US, for example, the ratio is more than 9 out of 10 households. In Germany, it is seven to eight out of 10.

In the UK, it is under five, so there is a huge market out there waiting to be tapped".

Value of the European telephone market



Source: MZA Consultancy Marketing

TELEPHONES

The cordless system holds key to future

Radio communications mean freedom within the office

HOW MANY telephones do you use during the course of a working day? Around the office, in the car and at home, the telephone is an indispensable tool, and one which is only starting to reveal its full potential.

Traditional company telephone networks are evolving into corporate business systems where text, image and voice communications are being integrated on to the one digital network. But the emergence of ISDN – integrated services digital network – in the public telephone network and the advent of cordless telephones in the office will ensure that basic telephony is not left out of technology race.

By the middle of the decade it has been estimated that there will be over 15 million business telephones in Europe – almost 40 per cent more than at present. The UK will have 20 per cent of those and they will nearly all be operated on private networks served by large private branch exchanges (PBXs) or on smaller networks with less than 20 extensions by key systems.

Most of the large corporate telephone networks are fully digital and can support features such as automatic call routing, logging and text-messaging using a range of feature telephones that are now on the market. Use of private digital telephone lines, leased from the public telephone operator, extends the network to company premises in other geographical locations.

For smaller businesses which cannot justify the expense of leased lines the improved quality and features of a digital network end as soon as they enter the public telephone network. But this picture will change over the next two to five years with the introduction of ISDN.

ISDN enables two independent digital channels, each capable of carrying up to 64 thousand bits of information per second, to be transmitted over the existing copper tele-

Digital telephony offers a wide range of services

phone lines that connect business and domestic telephones to the public network.

With ISDN, digital telephony services such as caller identification, user messaging and itemised billing will become available to a much greater number of business users.

Since the introduction of the first commercial ISDN service by France Telecom in 1987, the expansion of ISDN around the world has been slow.

North America leads the way with almost 100,000 basic rate ISDN lines, and follows an aggressive marketing drive by the Regional Bell Operating companies. One of them Southwestern Bell offers its customers a "starter package" which allows them to assess the usefulness of the services for a trial period of 12 months.

In Europe the spread of ISDN services has been even slower due to a lack of the necessary terminals such as ISDN telephones, and high speed Group IV fax. Most telephone operators have introduced trial services but in the absence of an international protocol standard they have all gone their own way.

As a result the terminal market is fragmented and manufacturers are reluctant to launch products until it matures. But the prospects are not very encouraging.

By 1994 western Europe will have 740,000 ISDN connections. According to Logica's Telematica market research, this would represent only 0.5 per cent of all Europe's telephone lines. It also indicated that the services which business users most eagerly awaited are international ISDN connections, virtual private networking and video-telephony.

International ISDN standards are in the pipeline and with them international connections. In September British Telecom announced that by the end of the year it would be offering ISDN connections to 16 countries, enabling the UK's 2,000 ISDN users to connect to their counterparts in countries such as North America, Japan, France and Germany.

Virtual private networking services such as Centrex are also becoming available in many parts of the world. This is an alternative to the business PBX, where the public telephone operator offers business users dedicated PBX facilities at its own exchange.

The Centrex concept originated in the US where it accounts for around 25 per cent of all business connections. But there are doubts over the attraction of Centrex in the UK market due to the large number of installed digital PBXs. BT has yet to launch its service and Mercury Communications which has offered Centrex for three years has only 29 customers using 19,000 exchange lines.

There is one new form of business telephony which has no such uncertainty about its future. Cordless communications will almost certainly find its way into all our offices by the middle of the decade.

Around 5m digital cordless handsets are expected to be connected to PBXs by 1995. According to a survey carried out by Arthur D Little for the European Commission last year this will create an annual equipment market of Ecu1,000m (£700m).

The freedom to carry your telephone with you as you walk around the office or building is the obvious attraction of the cordless extension. But likely to be equally important is the cost saving when offices are reorganised and telephone extensions moved. It can cost anything up to £100 to install or relocate a cable PBX extension.

With cordless systems a radio base station in the corner of the office could serve up to 100 handsets. But there are still problems to be overcome in the development of the cordless PBX.

An office radio base could serve up to 100 handsets

The operation of radio communications within the confined space of an office has yet to be fully demonstrated. Interference between adjacent base stations could reduce call quality, office layout could produce radio "blackspots", and the PBX must be able to identify callers.

Another issue is that different manufacturers have adopted different approaches and this is likely to lead to some uncertainty in the handset market over the next five years. UK companies like GPT and Orbitel have developed a digital cordless telephone, the so-called CT-2, while other European manufacturers like Ericsson and Siemens are working on a more sophisticated product the Digital European Cordless telephone (DECT).

It can support a greater number of extensions on a single base station than CT-2 and has been chosen as the preferred European standard. But non-standard cordless PBX products from GPT and Ericsson should be first into the market next year.

There is an inevitability about the introduction of cordless communications and with it the potential to give users complete freedom with a single telephone they can use in the office, in the street or at home.

Richard Wilson

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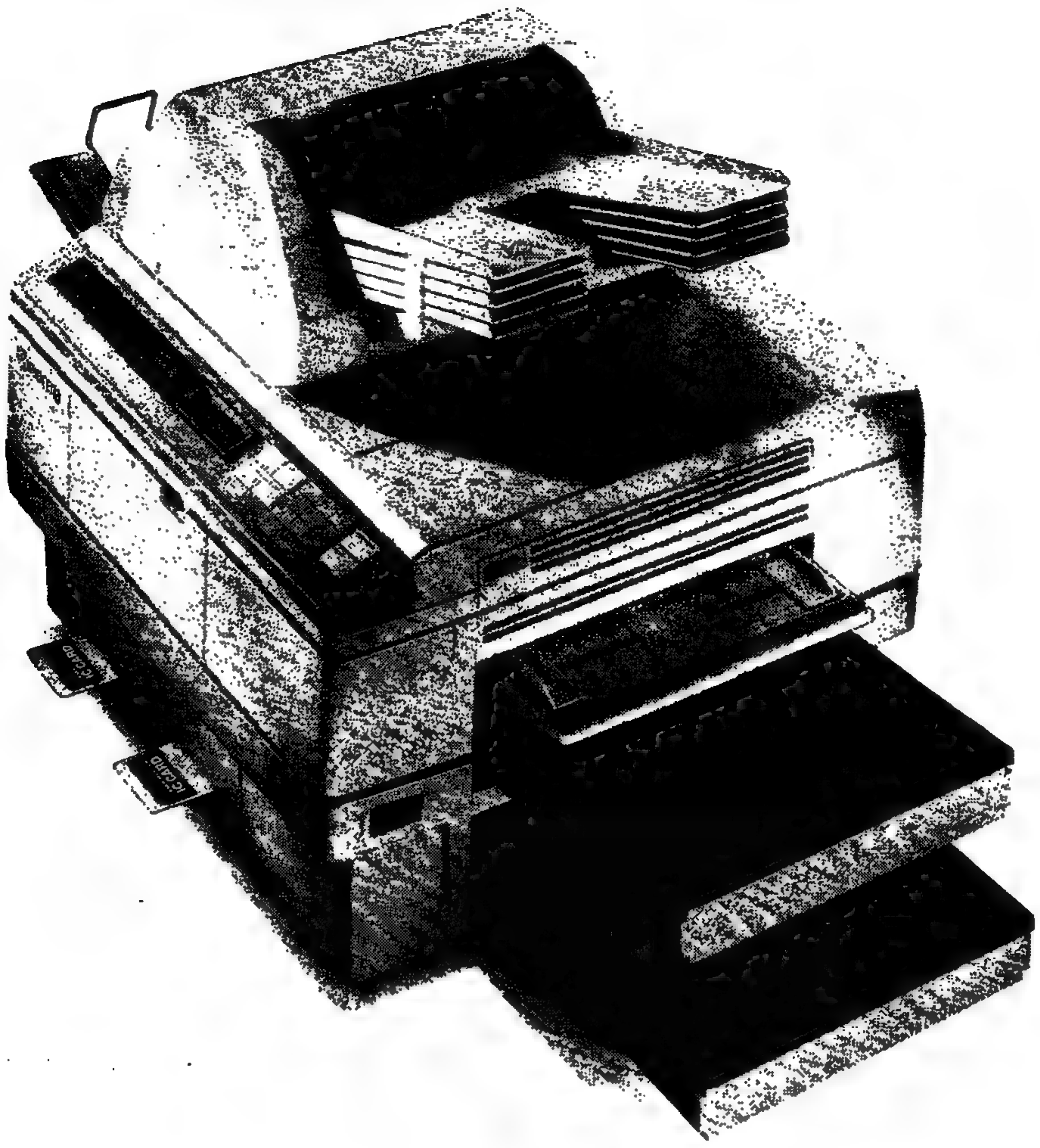

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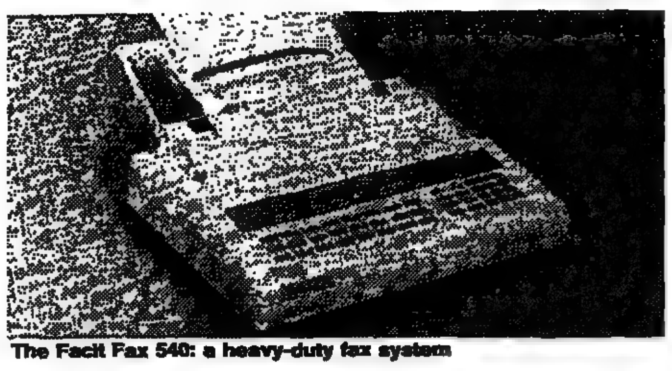
FACSIMILE

Fax systems move towards new link-ups


The Facit Fax 540: a heavy-duty fax system

PREVIOUSLY THE most buoyant fax market in Europe, machine sales in the UK are now showing a slight decline compared with last year, according to industry observers. This can be attributed to three main causes, says market research company Dataquest: the slowdown in the economy, the boost of 1988 shipments due to the postal strike and the relatively high penetration level.

Nevertheless, according to the BFICC (British Facsimile Industry Consultative Committee), UK sales during the first quarter of 1990 were over 6,000 up on the previous quarter, with no less than 52,672 units sold. Compared with the first quarter of 1989, however, it represents a 3,000 unit shortfall.

As far as product launches are concerned, Dataquest notes that 1989 was as active in the US as it was been in Europe, with 133 new machines appearing on the market and seven new companies entering the growing competition for market share.

Unit sales in the US were put at 1.4m units, with market leaders being Sharp, Murata and Canon. Market leaders in terms of plain paper fax, however, were Canon, Xerox and Ricoh.

According to another UK survey of the fax market conducted by NBES (National Business Equipment Survey), an estimated 75 per cent of all offices had installed at least one *fax machine by 1989*, with other industry estimates suggesting that the level of penetration has now reached 90 per cent.

Although that is often deemed to be saturation point, as with early estimates of the photocopier market, it is a view that does not take account of increased decentralisation as prices come down and units reduce in dimension become truly desktop size.

Although several vendors promise competition for Amstrad within the next few months, no one has yet matched the FX9600AT which has a guillotine, telephone answering machine, 100-number memory store of fax and phone numbers, Mercury compatibility and built-in parallel interface for linking to a PC. Brother comes closest with the new Fax 325 which, features auto paper cutter, 60-number memory and on-hook dialling, with the added bonuses of manual/auto redial and super-photo mode with 32 greyscales for halftone reproduction.

Although there are several *mobile fax machines available*, Ricoh claims a lead in terms of size and facilities with the PF-1 which is due for delivery in October and is said to be the only cellular fax to offer CCITT ECM error correction as well as 12 volt operation.

State-of-the-art features in the mid-range fax segment, said by Dataquest to represent 23.9 per cent of the UK market, *include sub-15 second* transmission speed, 10-15 page document feeder, 50m or 100m paper roll, up to 140 number memory and, of course, a guillotine.

Increasingly, fax machines at this level offer CCITT ECM error correction. With prices typically between £900 and £1,500, vendors offering new machines include Alcatel, Brother, Facit, Mitsubishi, Panasonic, Sanyo and Sharp.

The need to save operator time and operational costs is leading many companies to replace their fax machines with memory models which support such facilities as pre-timed cheap rate transmissions, multi-location broadcasting and private post boxes.

Memory capacities on new machines range from 128 Kbyte (equivalent to about nine A4 pages) to 2Mb (about 160 pages) with prices ranging between £1,250 and £2,995. Suppliers hoping for a share of the action at this level include Minolta, Mitsubishi, Swedish Telecom and Toshiba.

Olivetti also entered this segment *with the machine* to be made in Italy by Olivetti Sanyo Industriale, the new joint venture company which also includes *Matsui* but with Olivetti controlling a majority 51 per cent share.

Fax machines are also getting *smarter, as the new* Remote OMR (optical mark reader) system for use with the Konica 500/550 indicates. Any *fax machines, regardless of* age, manufacture or features, can be fitted with a Konica OMR and can, in effect, "borrow" the sophisticated features offered by the 550/550, including polling, memory, boxes and so on: "It could really upset the competition", says fax manager, Mr Gerry Tull. "It means that users need only buy OMRs and one of our machines to upgrade their whole fleet of fax units. It will be a much cheaper option than replacing each machine".

One of the main growth areas for 1991 is expected to be the plain paper fax market, with several vendors poised to launch low cost thermal transfer plain paper machines, with Pitney Bowes, Ricoh and possible Sharp, planning to join Canon, Muirhead and Rank Xerox who already offer such machines.

However, sheet-fed plain bond paper fax are likely to prove more popular in the long run, particularly in larger firms with high volumes, not least because paper costs are roughly half those of paper rolls. In the department of smaller company, the bonus is more likely to be the ability to use the machine as a conventional copier as well as a fax.

Lanier was the first to beat the sheet-fed plain paper price barrier earlier in the year with the 5400, an LED technology machine priced at £3,415. In the summer, Canon stole a march with the new Fax-L770 which, at £3,395, is claimed to include a revolutionary image-enhancing technology. Sharp has intimated that it plans to open up the market of plain paper laser fax by the end of the year, with a new machine priced at about £2,750. It will be the first of three.

Epitomising the continuing trend towards technology convergence is the new 3010 from Rank Xerox. A combined Group 3 laser fax and plain paper copier and one of the most practical of its many advanced fax transmission and image manipulation features is its ability to use the memory for producing ready collated copies of multi-page documents without the need for a sorter.

As digital fax takes over, so integration of fax with other media, including video, will also gather pace, providing users with a whole host of *image distribution facilities*, including colour.

Sharp will be introducing its colour fax machine to the UK *in Spring 1991*, as soon as it has received BABT approval. National Sales Manager, Mr John Innes, said: "We have now got transmission times down to three minutes per page, which is quite incredible bearing in mind that the norm for an A4 black and white halftone is about eight minutes."

With the increasing installation of PC networks, another major growth sector in larger companies over the next few years is expected to be in fax gateways and fax servers on the LAN, with the ultimate aim of providing fax send and receive facilities workstation to workstation without the user having to get involved in the technicalities.

Muirhead, the manufacturer responsible for developing the first ever commercial fax machine, is just one company that intends to focus on this area. Having spent two years with its head down and lips sealed, a series of projects will be unveiled by managing director Mr Chris Every this month under the blanket name of "Fax Plus". It promises to herald a new era of fax and office systems connectivity.

Julie Harnett

DICTATION SYSTEMS

Portable market set to take off

AS IN most other sectors of the office equipment market, manufacturers of dictation equipment claim that *overall* sales in the UK are stable rather than in decline, with a steady £33m annual turnover but with "a vast potential still to be tapped", according to the newly formed voice-processing equipment manufacturers group, which consists of Dictaphone, Grundig, Hill International (Assmann), Lanier, Olympus, Philips, Sanyo, Sony and AEG Olympia.

Taking the different sectors individually, however, there is a slight decline in the sales of desktops machines, but that is countered by the growth in portables, currently accounting for three out of every four unit sales against a two to one ratio five years ago.

It is said that this shift in market emphasis is primarily due to executives becoming more mobile and needing a hand-held unit that can be used as an memory aid as well as a dictation machine.

Minicassette machines, led by those manufactured by Philips, command the largest share of this market, with microcassettes experiencing the greatest growth.

Standard cassette machines are also becoming more popular, again, probably as a result of people becoming more mobile and wanting to listen to a voice recording on a standard hi-fi or car radio cassette.

A recent contender in this sector is Sony, better known for its microcassette machines. Sony has launched the BM18 two-speed standard cassette portable model. Main buyers to date have been those in education and the legal profession, the popularity of it leading to an extension of the range with desktop versions in November.

Philips, however, intends to continue with the minicassette technology it pioneered, as evidenced by the new Pocket Memo 593, a voice-activated unit.

A particularly interesting innovation is the internal battery recharging facility which enables optional nickel cadmium batteries to be recharged some 1,000 times, even while recording is in progress.

It is in the portable market, however, that competition is expected to intensify over the next six months, with prices becoming more competitive, according to Mr Graham Davis, divisional manager dictation at Sanyo. UK prices, he says, are much higher than in some countries and there is considerable room for manoeuvre: "It is not so easy to consolidate prices across Europe on desktop units because of the differences in voltage in the UK."

Sanyo also aims to increase its market share by targeting first-time users with the launch of a bottom of the range, commercially-built standard cassette machine at a consumer price. A new range of minicassette machines towards the end of the year, is also hinted at.

Proving still further that there is considerable potential in the desktop dictation market, Sanyo is also planning to launch a new concept in dictation using digital techniques for better voice reproduction quality.

Noise X, the dictation system's equivalent of Dolby, cuts out a lot of background noise; a noise purity switch will keep voice pitch at the correct level even if the recording is speeded up or slowed down; and, on the recording side, Smart Vox will ensure that only voices are picked up, not extraneous noises such as bells ringing, drawers shutting or printers clattering.

Prices are expected to be pitched at around the £300-£350 mark.

Sanyo is working on a portable version. David Snook, sales manager, dictating at Sony believes the future for portables could lie in digital audio tape (DAT), a technology design for the consumer market. Sony has developed smaller versions of the DAT tape for business use and has already shown 10-15 minute DAT recorders in Japan.

Full computer-based digital dictation is expected to be the way ahead in the long term and most manufacturers are working towards this.

One of the main benefits is that it brings greater reliability because there are no moving parts, but it also provides other productivity features such as instant access to any part of a recording and the ability to edit dictation.

Although Grundig uses its proprietary Stenocassette in conventional tape systems, Mr Richard Hargrave, managing director, is very excited about the development of the DDP (Digital Dictation Processor) 2000 which uses standard PC hard disks: "In four to five years, digital systems will be commonplace," he said.

DDP is already being used on a trial basis on a network within two well-known concerns: "The advantage of digital systems is that, once the dictation or voice message is stored on a PC, it can be routed through the network to local or remote PCs for someone to listen to or for someone to transcribe. All the user has to do is press the right buttons, the system does the rest", said Mr Hargrave.

Grundig's main competition comes from Lanier with the Voicewriter and Dictaphone with the Digital Express. After a slow start, Mr Paul Jennings, director of *Marketing Services* International, Dictaphone, says that large multinationals are showing great interest, not least because the integration of both dictation and voice mail in one system is more cost effective and easier to manage.

Dictaphone believes that the new, more powerful 7000 model, which boasts up to 80 hours of recording capacity and enables up to 32 people to access the system simultaneously, will appeal to a much wider range of companies wanting an integrated centralised system that can be accessed by anyone from any telephone extension in the world.

Philips looks set to become the next manufacturer to launch a PC-based digital system. Sales and marketing manager Mr Roger Holmes says that a system is currently going through approvals procedures: "The first model arrived in September and is now with BABT. It will be released in the US first; UK second. Due for launch in 1991, it is a range that starts with a four-port system going up to a 32-port system".

It could be some time before we see the first all-digital hand-held, however, although the Psion MC 400 laptop computer has the potential to offer *a voice recording facility* that in addition to fax.

But Mr Hargrave admits that the next logical step is a dedicated *portable recorder*. "The memory capacity is there, but not the battery technology; yet. We are quite a long way down the *line, though*" he said.

The UK distributor of Assmann equipment, Hill International, believes digital technology *is more useful* at the secretarial workstation than in the executive's briefcase. They introduced the CAT (computer *aided transcriber) which* combines desktop transcription, with on-screen information, and word processing.

Mr Ron Dodson, sales manager at Hill International, says that all the interest in voice mail via the PABX and the *shortcomings that many* potential buyers are experiencing is actually leading to a surge in sales of the Assmann MTMS *"local" store and forward voice* messaging and dictation system that has been on the market for some time: "We find that users want a tried and tested system; and that is what we can offer". The same applies to Harford, with its *telephone transmission system*.

But the suppliers have their work cut out on the marketing front, it seems. According to a *survey conducted by NBES* (the National Business Equipment Survey), only 7 per cent *of potential purchasers are aware of multi-user systems*, with only 1 per cent of companies with such a system already installed.

Those that were aware of the benefits felt that the ability to transcribe and dictate simultaneously was the most important attribute, followed by the ability to access the system from any phone, be it in the office or in the car. Access to a centralised message system came fourth on the list of features.

The attitude towards dictation, however, could well take on a new significance in the years ahead as the workforce becomes more mobile, which the forecasters are all predicting. Chances are that, as fax has become an essential option in the text communications market, so dictation will be deemed essential in the document and voice processing markets.

Julie Harnett

HEALTH AND SAFETY

EC laws to combat risks in the office

THE ELECTRONIC office is a minefield of health hazards. Upper limb disorder, back ache, cramp, headaches and fatigue are just some of the complaints that are common in the modern electronic office. Among the causes of such problems are badly designed workstations, toxic emissions from office systems such as printers, bad lighting and glare from VDU screens.

From December 31 1992, however, all member states of the European Community will have to enforce laws that control the working environment and make employers responsible for the safety and health of their employees during their time in the office.

Part of this so-called framework directive on the workplace includes a directive directive on the minimum safety and health requirements for work with display equipment.

Applying to the total workstation, including display screens, keyboards and accessories such as telephones, printers, document holders and worksurfaces, the directive places certain obligations on employers. One of these is to analysis the workstation and evaluate the risks to workers, such as repetitive strain injury (RSI), eyesight deterioration and mental stress.

Employers will must also keep themselves informed of the latest advances in technology and scientific findings concerning workstation design so that they can adapt their office to improve conditions and protect employees from health and safety hazards.

Employees must be given information on all aspects of

Software must be easy to use to avoid stressful working conditions.

health and safety relating to their workstation, every worker must receive training in use of the workstation and the daily routine must allow for breaks or changes of activity to reduce the workload at the display screen.

The minimum requirements in relation to workstation design are generally already in place, although greater attention will have to be paid to such aspects as non-flickering displays, adjustability of keyboards, low-reflectance work surfaces and adjustability of seating.

In addition, employers must make sure space requirements, lighting, office layouts and decor are arranged to prevent any glare and discomfort.

Noise emitted by equipment must not distract or disturb speech; equipment belonging to workstations must not produce excess heat which could cause discomfort; all radiation, with the exception of the visible part of the electromagnetic spectrum, must be reduced to negligible levels; and an adequate level of humidity must be established and maintained.

The directive even covers software design, which must be suitable for the task and easy to use to avoid stressful working conditions. Directives on carcinogens and biological agents are still being examined and are likely to be adopted in the near future.

According to Dr Colin Mackay of the Health Policy Division of the Health & Safety Executive, some changes in British law will be necessary in the light of the new directives. Work, he says, has already begun on the development of suitable proposals with the Health and Safety Commission, expecting to publish consultative documents in 1991.

With health and safety – particularly as it relates to workstation and software design – fast moving to the top of the business and education agenda, the demand for more information from researchers, manufacturers, developers and users of advanced technology has led to the formation of a new technical information service on Human Computer Interaction (HCI) by Loughborough University's HUSAT Research Institute.

The aim of the service is to help enquirers to find, understand and apply the latest and most relevant information available on HCI.

Other organisations, including the Health & Safety Executive, can expect to be inundated with enquiries for information over the next two years, because, from January 1 1993, ignorance will no longer be a defence for negligence.

A massive occupational health training programme will have to be undertaken if the there are to be enough specialists able to provide the guidance and user training that will be required.

While the new regulations mean added expenses for employers, numerous case histories already exist which show badly designed workstations and bad working habits can result in personal injuries that can become permanent disabilities. This can be extremely costly to companies because of the resulting absenteeism, lower productivity, temporary staffing, medical costs, consultancy and, increasingly, legal fees.

It is not only employers that are responsible for alleviating the potential hazards. Manufacturers also have a role to play. Some like IBM, are now supplying flicker-free display screens with low radiation emissions, but where these are on offer, the sales literature rarely stresses such availability or explains fully what is meant by such terms as "flicker-free".

Perhaps it will take implementation of the EC directive to galvanise people into action. In Sweden, it became law in 1988 to incorporate anti-radiation magnetic shields in VDUs. "Every screen that we supply, therefore, is designed so that it does not emit radiation nor magnetic fields," says Mr Ulf Bergenudd of office systems manufacturer Facit. "Nobody asks for it in the UK yet, but it will come."

Like Facit and a few other manufacturers, Philips has launched a radiation-free flat, LCD screen but demand is is not high.

Seating manufacturers would appear to be having more success than most in encouraging employers to opt for safer products. Martin Stoll, the German seating manufacturer, has even won an annual order for 5,000 ergonomically designed chairs from the European Commission. The Active Pelvic Support chairs are said to relieve the muscles from strain and tension by holding the pelvis in a natural state of rest and the spinal column in an upright position.

In London, the long list of customers has just been joined by Cable & Wireless. UK agent Mark Palmer said: "While most of the attention is on RSI, no company should forget that millions of man hours are lost through cramp and back ache caused by inappropriate, badly designed seating."

In the main, however, safety concerns appear to be the prerogative of suppliers of add-ons. Sintrom Electronics, for example, has just won the distribution rights to the US-manufactured NoRad Shield for VDUs which, it is claimed, eliminates glare, reflection and static while blocking 99.99 per cent of the electro magnetic field.

The emission of ozone from laser printers was highlighted recently at a special forum hosted by a company called Incotel. While printer manufacturers may be sceptical about a company that is supplying a specially designed ozone filter, called the Mini, Mr Steen Christensen, head of the company, says he has plenty of evidence produced by the Danish

The role of the manufacturer is vital in the field health and safety

Institute of Technology which proves that built-in filters rapidly lose their effectiveness.

Manufacturers, he says, should not turn their backs on the problem and employers should not put their employees at risk, particularly when it comes to compliance with COSHH (Control of Substances Hazardous to Health Regulations, 1988) guidelines.

Few companies have followed the example of copier and laser printer manufacturer Océ and made a point of producing products that are as safe from the start as it is possible to be. The company's new 2400 high volume walk-up office copier, for example, does not use technology that emits toxic ammonia fumes but uses zinc oxide coatings as a primary photoconducting element.

Similarly, it is designed to ensure minimal noise levels and low power consumption, with safe disposable materials and low ozone emission levels.

Julie Harnett

● A health and safety conference on "Danger in the Office" is to be held in London on November 27 in London, chaired by Dr John Cullen of the Health and Safety Commission, it will cover aspects such as the legal framework as it now stands in relation to health and safety, the EC directives, occupational health hazards such as RSI and Legionnaires disease and security and fire safety.

Tel: 081 680 5682 for further details

IN RESPONSE to growing demand, a high level one-day conference is to be held on October 9 1990 to address the issue of "Buildings and their Environmental Impact". Arranged jointly between the Building Research Establishment (BRE) and the Chartered Institute of Building Services Engineers (CIBSE), it will examine the effects of greenhouse gases, cooling towers and air quality in buildings.

Of particular interest in the context of office technology will be the presentation of a new report on BREEAM, the BRE Environmental Assessment Method for new office design. Developed in collaboration with the ECD Partnership, sponsored by property developers Stanhope Properties, Olympia & York and Greycoat with J Sainsbury, it has a number of objectives among which are:

- To recognise buildings which are friendly to the global environment
- To improve the environmental quality of offices and maintain the health of its occupants
- To raise awareness of the dominant role the use of energy in buildings plays in global warming
- To provide a common set of targets and standards so that false claims of environmental friendliness are avoided.
- To encourage designers to create environmentally sensitive buildings.

The report contains is meant to be used as a basis for consultations about future developments.

The role of the property developer is an important one.

THE OFFICE ENVIRONMENT

Buildings of the future will be 'intelligent'

Environmental friendliness and energy efficiency should be considered before the drawing board stage, not long after the topping out ceremony as is too often the case.

It is not cheap to develop "intelligent" buildings that are flexible enough to cope with the demands of modern offices with their plethora of electronic office systems.

An extra 30 to 50 per cent on top of standard building costs is usually what is required. But the costs are justifiable if the results are greater energy conservation, a healthier environment and long-term operational cost savings.

Nevertheless the cost of running office buildings is high especially – according to a recent report produced by The Anderlyn Consultancy – office buildings designed in the 1960s and 70s which were often poorly insulated and overglazed.

The report, entitled "Scope '90", shows that it costs £7.95 per sq ft to run a building which is up to five years old, £13.20 for one which is between six and 20 years old and £16.22 to run one which is between 21 and 50 years old.

Conversely, a building over 50 years old only costs £7.33 per sq ft, no doubt reflecting the fact that they have few if any services to cost.

The elements included in the costings were building management, energy, repairs and maintenance, maintenance of plants, cleaning, security, insurance, water rates and service charges.

The breakdown region by region shows that running costs per sq ft are £13.51 in Central London and £11.29 in the Home Counties against an average of £8.46 in the rest of England.

These figures represent a significant 30 per cent increase over 1989, with general repairs and maintenance, building management and energy being the main contributors.

Another set of figures shows that the running costs of air conditioned offices (£12.16 per sq ft) are nearly double those of non-air conditioned offices (£6.46).

Office running costs are up 30 per cent over 1989

While Mr Roger Henderson, chairman of The Anderlyn Consultancy, was amused by the notion that the figures suggest that a return to Dickensian conditions might not be such a bad idea, the section on Ventilation Rate and Smoking in the BREEAM report notes that "there is evidence that naturally ventilated buildings have a reduced incidence of the sick building syndrome compared with mechanically ventilated or air conditioned buildings".

It is not understood why this should be so and research is now taking place to seek an explanation. There is every reason to believe that environmental problems are simply a case of too much molly coddling.

Be that as it may, according to the Department of Energy, the application of energy efficient policies to buildings could reduce this country's £40 billion fuel bill by 20 per cent, that is £8bn a year.

Heating, water and lighting in buildings, accounting for a staggering £17 billion per year, could be reduced by 30 per cent.

A booklet entitled "Energy Efficiency in Office Buildings" produced by the Energy Efficiency Office, cites a number of cases where actual cost savings have accrued as a result of installing new energy efficient systems.

Provincial Insurance invested £7,820 on a heat recovery system operated by electronic and sensor controls. Annual savings amounted to £4,600, representing a payback of just 1.7 years.

The booklet explains how to assess building energy performance with reference to the NPI (Nationalised Performance Indicator) and suggests measures of saving energy in office buildings. These range from switching off unnecessary lights, draught-proofing doors and windows and fitting timer controls to heating and ventilation systems through to installing a full-scale building management control system.

One of the problems about addressing waste is that it is difficult to know where to start. Ideally, every company should carry out an energy audit just as they would a financial audit. Not only would that focus management and staff attention on what is an increasing area of concern, but it would help people to understand the way energy is expended so that waste can be identified and avoided.

The Energy Efficiency Office has published a booklet which explains how to carry out an energy audit programme.

There have been many developments in the field of energy management systems and a list of some of the leading manufacturers, contractors and consultants can be obtained from Gloucester-based ESTA (Energy Systems Trade Association).

Typical of their members is Emstar – part of Shell UK – which provides much needed technical, financial and management expertise, including analysing energy requirements and specifying practical solutions for organisations wanting to be come more energy efficient.

"Nowadays it isn't just a case of turning down the heating or making sure the roof is insulated," says Mr Mike Briggs of Estmar.

Computers can now provide sensitive monitoring of plants and equipment and can be linked to internal systems such as alarms to provide a complete computerised picture of the building. In this way security can be provided at the same time as efficiency.

Julie Harnett

Lighting is source of company headaches, finds **Bernard Barbuk**

Employers seek solution

BECAUSE IT comes with the building, of all the factors contributing to the efficiency of offices, lighting has always been the one most taken for granted, receiving no more than sufficient attention for its maintenance.

Nor did company accountants lose sleep over it. A typical company lays out no more than 0.5 per of its operating overheads on its office lighting, *compared* with 84 per cent on salaries. But things have moved on in the past year or two, with the belated acceptance that, where people work with VDUs, poor lighting produces high error rates, dissatisfied staff and eye problems – all of which will cost employers money in efficiency, remittment and training and, increasingly likely, successful compensation claims.

The most obvious result has been a general reduction in office lighting levels. Where 750 lux was the norm (insofar as anyone ever bothered to measure it) in traditional clerical offices, the ideal today in offices where VDUs are used is about half that.

Good lighting is hard to achieve with VDUs. Low-level light sources themselves they are easily bleached out by more powerful lights – and at all times tend to reflect sources of brightness – windows and lighting luminaires.

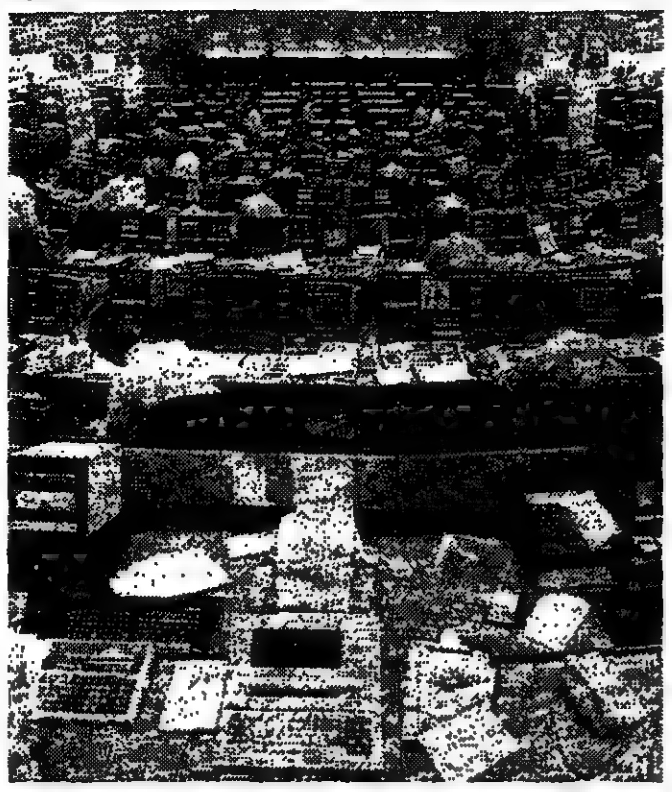
Part of the problem is that at *any time in any normal office* some of the staff will not be using their VDUs, and will be doing work which requires more light than is ideal with VDUs, while others (people over the age of 40, for example) may need more light all the time. And to make planning really difficult, modern office layouts are subject to continual changes: it often happens that within three months of an office plan being completed not one person is sitting in their

Office layouts are constantly changing making planning difficult

original position.

These problems, combined with the building explosion of the late 1980s, has led to a spate of interest in so-called "intelligent" or "controlled" *lighting systems*, perhaps with air-handling fluorescent fittings as part of general energy management.

The benefits of such systems are debatable. Personal control of the individual's immediate working environment is now accepted as a good thing But there is nothing especially personal about activating the lights by telephone in a system



With the increasing use of VDUs, especially in the financial sector, correct use of lighting is crucial to prevent glare and reflections from the screens

that is also likely to turn them off by itself when the sun comes out. And what is far more important than how the lights are activated is the quality of those lights when they are in are in action.

The conventional way to light offices well is to set an acceptable overall light level and then calculate the number of ceiling fluorescent luminaires necessary to achieve it. These luminaires are best recessed within a suspended ceiling, and modern designs are louvred so that the light is directed straight down to eliminate horizontal glare and minimise the chances of lights making uncomfortable contrasts behind VDUs.

Ceiling/ambient lighting provides once-and-for-all planning *and cable management and*, if a low ambient level – say 300 lux – is supplemented by good task lighting, flexibility and personal control can also be achieved. The main disadvantages are that, louvres notwithstanding, it is virtually impossible to prevent at least some luminaires reflecting in some VDUs. And task lighting is rarely available to staff in British offices.

Moreover, the success of ceiling/ambient lighting – especially where there is no task lighting and the ambient light

Uplighting has not proved a popular solution to the problems

level has been finely calculated – depends on the luminaires being cleaned at least once a year and because of the problems involved with cleaning anything at ceiling level, this rarely happens in most offices.

Such maintenance is beyond the range of contract cleaners and requires the skills of trained in-house staff or specialist firms. If they are not cleaned regularly, the output of fluorescent lights can decline 40 per cent over a period of two to three years.

Uplighting – using free-standing uplighters - attempted to provide a solution. But its popularity has proved limited (it commands a mere 5 per cent of an office lighting market of £200- £250m), largely it is often seen as an unnecessary addition to an office already equipped with ceiling lights. Good uplighting needs ceilings between 2.4m and 3.3m high and free-standing uplighters can not only present a wire management problem but are also likely to be in the way.

Although the technique of reflecting light back down from the ceiling, diffusing and softening it on the way, theoretically produces glare-free yet reasonably spread light, all too often the result is vividly *contrasting bright spots on the* ceiling. And most manufacturers produce free-standing uplighters of 1.8m high, which means that any reasonably tall person can look straight into the light source, and is dazzled as a result.

Uplighting using sodium or metal halide lamps, however, can provide economical, controllable and certainly the most glare-free and flexible *form of office lighting* available, with the advantage that if the company relocates, the lighting can go with it.

Uplighting is best handled when it is incorporated within systems furniture, since not only is it then out of the way and easily cable-managed, but the VDUs can be sited in the less brightly lit areas furthest from the uplighters, while other work can be done where *light levels are higher*.

Some systems furniture suppliers have uplighters based on fluorescent fittings. This is popular in Scandinavia, Germany and France – where office lighting is treated with greater sophistication – but requires mixed schemes in which it is combined with task lights and more conventional uplights.

Many systems furniture suppliers have task lighting options – seldom taken up by UK buyers. The preferred light source is almost always fluorescent or compact fluorescent lamps.

CABLING

The structured approach

YARDS OF spaghetti-like cabling hanging from the ceilings and from the underside of office desks is all too common a sight these days.

The problem is that office buildings constructed in the late 1970s, cannot cope with late 1980s technology - the *ubiquitous* computers, printers, photocopiers, telephones and fax machines.

The rapid changes in office equipment, and the increase in their use, is forcing companies to consider a whole gamut of questions when dealing with modern technology.

As well as asking how many Megabits, Megabytes and Megaflops a piece of electronic equipment has, there is the need to question the more mundane. Where will it plug in, how much wiring will it need and where is the nearest phone socket? All point to the need for good cable management.

The essence of good cable management is to install the *wiring when the building is* under construction or during refurbishment, says Mr Kevin Carter, of Enator, the Stockholm-headquartered information technology consultancy. "Wiring a building up for IT *should be just like wiring it up* for power," says Carter. But, he adds, most developers still do not install computer and phone wiring before putting new buildings on the market.

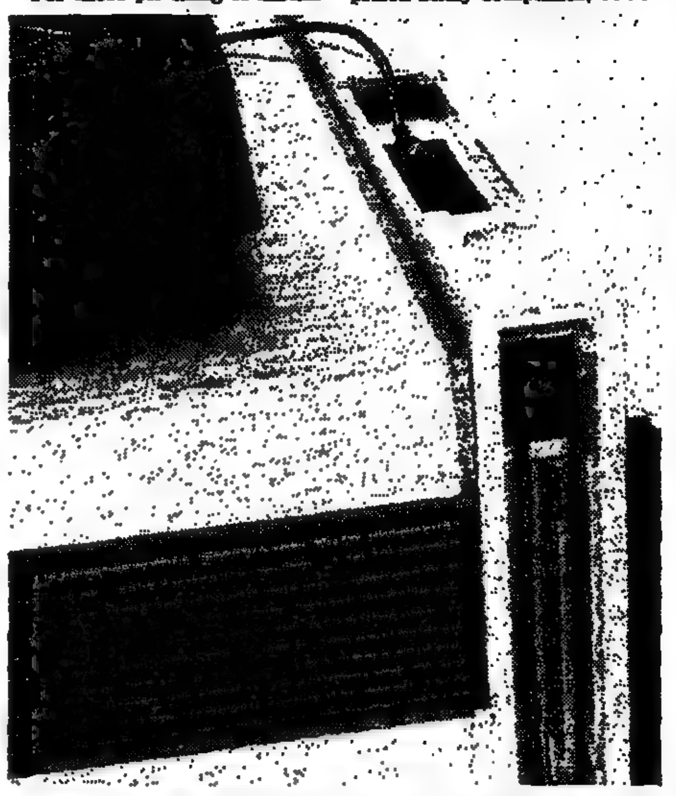
The *obvious drawback for* companies installing structured wiring systems during an office refurbishment is the cost. Wiring a complete building with computer cabling can double the cost of a refurbishment, but Mr Carter says that money can be recouped in two to three years, and in some cases as little as one year.

That is because once a cabling system is installed *there is little cost incurred* when people move around the office. If the carpet and the floorboards have to be taken up or wiring draped and tacked round the skirting boards, then it can cost between £300 and £400 to move one office worker to another desk. Given that 50 per cent of office workers, on average, move desks every year, the costs soon accrue.

With a structured cabling system the only cost is the labour needed to pick up the equipment, move it and plug it in elsewhere.

Despite the costs involved in planning office cabling Mr Carter believes that over the past two to three years the increased flexibility of structured cabling has persuaded many companies to go down this route. "Structured cabling has now become the norm as opposed to the ad hoc approach."

For those planning to install



K & N's King Alpha desk provides separate channels for mains power, telephone lines and data cables. Plastic covers can be removed when access is required

structured cabling systems, the choice of which type of cable to use has become increasingly clear over the past year.

Instead of the thick copper *co-axial cable that used to con*nect the PC to the mainframe

"Wiring a building up for IT should be just like wiring it up for power"

and the mainframe to the printer, unshielded twisted pair has emerged as the clear winner in the cabling race. Proprietary wiring systems for individual PCs or word processors are now not even considered by most companies.

Unshielded twisted pair is almost identical to the slim copper cabling used for phone wiring. When installed between computer systems and peripherals two pairs of wires are usually installed.

The simplicity of this approach to cabling has surprised many companies, but as Mr Carter says: "Really it's stunningly obvious. It's a very easy decision to make."

The proponents of this type of cabling, such as AT&T in the US, have won *out* in the marketplace against IBM, which proposed instead a shielded twisted pair system, where the cabling is protected from electro-magnetic emissions from electrical and electronic equipment.

The success of the unshielded cabling rests on its low costs – at around 15p a metre, it is less than half the cost of an equivalent quantity of coaxial cable – and the speed with which the capacity of the cabling has been increased.

Today's untwisted shielded pair cables can transmit data at a rate of 4 Megabits per second using the token ring networking software or at 10 Mbit/s using Ethernet transmission techniques. AT&T and Northern Telecom have recently announced that they have developed a way of operating a token ring network over twisted pair at 16 Mbit/s, and further developments continue.

Two Silicon Valley companies have have developed a way of transferring a networking protocol devised for fibre networks – the fibre distributed data interface FDDI – on to unshielded twisted pair cabling, which increases the capacity even further. Developed for the enormous bandwidth of optical fibres, the FDDI system transmits data at 100 Mbit/s.

The drawback at the moment is that the speed can only be maintained over a relatively *short* distance – about 50m. By comparison a normal cable run, between a computer, say, and a printer, is about 90m.

The ability of unshielded twisted pair cabling to carry such large amounts of data is likely to eliminate the use for optical fibres between different pieces of equipment in the office. As Peter Bacon, head of the building technology group *at IT consultants Butler Cox* says, "Usually people just don't need that kind of bandwidth. It is only needed is small localised areas."

However, fibre is still finding favour in some areas, in particular for installation in the vertical cable risers, which carry the cables between floors within a building. It is also now widely used to link buildings together. Because of its huge capacity it is cheaper to install and takes up less space in these applications.

Perhaps of greater threat to copper cabling will be radio signals, where data is sent

Unshielded twisted pair cabling is able to carry large amounts of data

between computers and peripherals across the airwaves. *Local area network systems* which use infra red signals instead of cables are already on the market.

Della Bradshaw

Lynton McLain charts new developments

Lifts with brains descend on market

THE LIFT now arriving in the lobby has brains, in the form of computer intelligence. It is also likely to be quieter, with fewer *rattle and bangs as the* doors glide shut with barely a whisper compared with those using older technology.

These are some of the changes that have been taking place in the world of lifts over the past five years. The days of waiting for the lift that never seems to arrive may be at an end. This has become possible through the application of computers, a development that *was stimulated by competitive* pressures in the lift market.

The Otis Elevator company of the US dominates the world lift market, but until recently it was the Japanese lift industry that had the technical edge in lift ride, control and comfort. It would appear that the Japanese have not been concerned to seek a high speed ride in their lifts, unlike traditional US practice, where speed *was a necessary quality* for lifts that were designed for use in the high skyscraper towers that dominate US towns and cities.

Japanese lift manufacturers, such as Mitsubishi Electric, have concentrated on applying their technical ingenuity to the imperceptible ride. Not for the Japanese is the quest for speed. Instead, the best Japanese lifts are characterised by a certain stillness and quiet, where the door opens without jarring, and closes without a clang and the journey from one floor to another is not obvious to the passenger.

Mr Tsuyoshi Uesugi, the general manager of Mitsubishi Electric UK quotes the case of one of its lifts installed in the *Hotel Tour Albert Premier*, in Paris. This is so smooth, he says, that one franc coins placed on the floor remained upright on their rims throughout a journey up and down the

A subtle change of approach has come from the Japanese

15 floors of the hotel.

The smoothness of the lift in Paris has its origins in the demands of Japanese customers for "the highest quality smoothness in their lifts".

He attributes the smooth performance to the use of electronic controls, microprocessors with precise and stable digital control and the precisely aligned guide rails, which he says are essential for smooth operation.

Otis Elevator, part of the US United Technologies group, traditionally has sought efficiency *in its lifts*, which is reflected in speed. This had been the main criteria of the company's lift design, but it is *beginning to address the* question of lift ride quality and comfort, combined with speed.

This subtle change of approach has come from the inroads the Japanese lift manufacturers have been making in markets, for example in Europe, that have traditionally been dominated by US elevator manufactures such as Otis.

Otis has some ingenious technical solutions to help it *produce lifts and elevators* that are fast and silent. The latest idea is to suspend a lift cage independently inside a frame to insulate the car and passengers from the external vibrations that are almost unavoidable from the movement of the passenger car up and down the its guide rails.

Mr Karl Krapek, the president of Otis said at the launch of the company's "intelligent" lift, the Elevonic 411, in Cannes, in France, that the independently suspended lift would be on the market this year giving the company a lead with a lift that has "the perfect ride" with US speeds.

The traditional differences between Japanese and US preferences in lift performance and *approach to technology are* evident in figures for passenger preferences found in a survey by Otis. Japanese passengers, apparently, are prepared to wait for up to a minute for a

Computer technology has entered the field of lift operation

lift to arrive, prefering their comfort to the saving of a small amount of time. US passengers, few on the other hand, according to Otis, are unhappy about waiting any more than 25 seconds for a lift to arrive.

The advances that could make lift operation more efficient and cut waiting time have been available for about five or more years, but they have only been applied quite recently. This technology centres around computer power and most recently, artificial intelligence. Japan is installing lifts with this technology. Artificial intelligence is at the heart of the lifts Mitsubishi started to test on an experimental basis last year.

Otis has been marketing its elevonic 411 lifts, with their artificial intelligence directed dispatching, for about a year. The lifts are able to learn patterns of use and traffic at individual floors in a high rise building and for particular times of the day.

The effect is to make the operation of the lifts more efficient, with less waiting for staff. The memory of the computer which controls the lift collects and stores data on the density of passenger demand. The longer the lift is installed, the more precise and reliable the information becomes for a particular time of the day.

The computer predicts future patterns of demand continuously. This is possible because of the data held on the memory of the computer, *which is a precise guide to his*toric patterns of demand. The longer an historic pattern of demand has been been established, the more likely it is that the pattern will be repeated in future.

This makes it possible for a lift to arrive precisely at the ground *floor* lobby area at, for example, 8.30 each morning apart from Friday, when past experience has shown the computer, that the heaviest demand comes at 9.00am. On Friday, the lift would be available at the ground floor at 9.00am.

The microprocessor on the Otis Elevonic 411 lift is able to allocate lifts to give the most efficient response to customer demand. This applies to which-

A microprocessor is able to respond efficiently to customer demand

ever floor the historic pattern of demand indicates requires a lift at a particular time of day.

Whenever the demand from passengers changes, the microprocessor is able to learn the new pattern and modify its pattern of operations.

Other, even more dramatic changes in lift and elevator technology are in prospect. *Otis* has sold a lift to a Japanese customer through its subsidiary company Nippon Otis, which uses linear induction *motor technology to* propel the lift. Magnetic levitation is also being considered, along with streamlined designs to cut the noise of rushing air as the lift speeds on its way.

Automatic transfer of documents

LARGE VOLUMES of documentation can be automatically moved around a building or complex. Sovex Marshall has introduced a transit box system which uses containers which incorporate a destination coding mechanism.

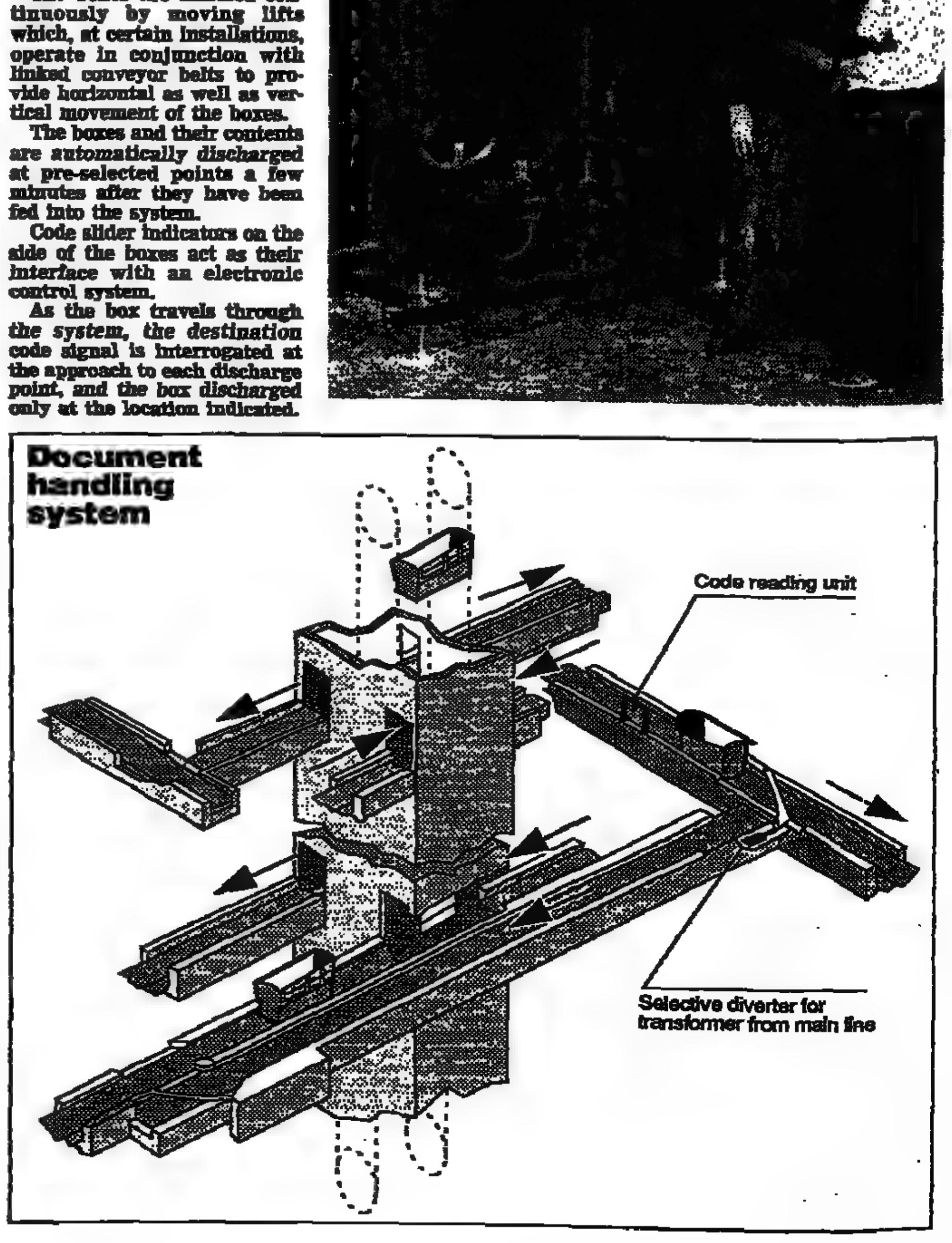
The boxes, which each hold up to 25kg of material; can be used for items such as documents, punched cards, tapes, microfilm, computer records.

The boxes are handled continuously by moving lifts which, at certain installations, operate in conjunction with linked conveyor belts to provide horizontal as well as vertical movement of the boxes.

The boxes and their contents are *automatically discharged* at pre-selected points a few minutes after they have been fed into the system.

Code slider indicators on the side of the boxes act as their *interface* with an electronic control system.

As the box travels through *the system, the destination* code signal is interrogated at the approach to each discharge point, and the box discharged only at the location indicated.



With office equipment rising in value, **Laura Blair** finds companies stepping up on access control

Electronics heralds multi-functional security

MODERN OFFICES with their increasing number of computers and other expensive business machines, are sitting targets for break-ins and vandalism. Also, information is now often the most valuable thing a company has on its premises, let alone the fact that the Data Protection Act puts the onus on the company to protect its data.

Where this kind of security is concerned, the old system of combination of locks is singularly ineffective; and extensive manned security disagreeable and expensive.

Hence the emergence of electronic access control systems which do more than control who goes in and out of the front door, and can secure specific doors and sensitive areas without burning a hole in the corporate pocket.

They may also add an extra thrill of modernity to a company's image of itself. Suppliers suggest that electronic access control is popular with computer companies not only because they have more to protect, but also because they like to use, and be seen to use, the latest on the technology front.

Not least of the attractions of electronic access control is that the latest systems go beyond their traditional deterrent role. Networked to other building services, be it the air conditioning, water supply, or even the personnel management system, they can help to monitor the gamut of these services.

"There is rarely one single reason for installing access control. And with recent technological advances it is becoming more about managing people – controlling and monitoring movement – than simply preventing unauthorised entry," says sales manager Mr John Coltart, of White Group security company.

Access systems can now provide a range of services as well as security

In any case, the electronic access control market, which is estimated at £50m in the UK, is the fastest growing sector of the security market with an annual growth rate of 20 per cent.

This is now a technology led market, according to the industry. The very first electronic access control systems introduced some 20 years ago used encrypted cards, issued to bona-fide users, in conjunction with card readers placed at strategic entrances. Most of the systems that are currently in operation still do.

But there the similarity stops. Today's readers may include sophisticated chips and software which, in conjunction with PIN numbers entered by the card holder, will grant or deny access according to complex parameters.

Also, early readers were either "stand-alone" boxes able to read only a limited number of cards, or dumb terminals linked to a controlling box: if this box went down, so did the entire system.

Now distributed systems have emerged using intelligent readers which are often linked to a computer that is situated either in a control room on the premises, or in a remote control station linked by a telephone network.

This set up enables the security system to do additional clever tricks, such as monitoring movement throughout an organisation, single card entry to selected areas (such as the car park), the recording of flexible working and the buying of snack from automatic vending machines.

However, because the readers have sufficient local intelligence, the integrity of the core security is not impaired if something goes wrong at the computer end.

Doubling up access control security is also no longer a tour de force: CCTV cameras can now transmit pictures by phone to a remote control station to check who is using the system.

Card technology itself has progressed and there is a comforting choice of different cards for different security levels. Magnetic stripe cards resembling credit cards are the cheapest, but also the least secure as they can be easily copied using an off-the-shelf encoder. Magnetic-dot cards with the encoded material encased between plastic sheets are more difficult to forge.

But the most secure are Wiegand-cards, which have an encoded stripe of polarised wires claimed to be impossible to duplicate.

Alternatively, and dispensing with the nuisance of inserting a card into a reader, which causes a fair amount of wear and tear on both, there are proximity-cards or tokens, which can be sensed by a reader at some distance, via electrical induction or radio signalling. Carried on a key-ring or wallet they also provide hands-free operation.

Smart cards are also credit card look-alikes but use memory chips to store large amounts of data, and can therefore be used ubiquitously for access control as much as credit/debit cards, to store information such as medical records.

They have been a great success in France, but less so over in Britain. Whether this is because the UK lies somewhat behind Europe on high-tech security or for more elusive cultural reasons, remains a moot point.

There is little doubting, however, that the avant-garde biometric systems have not taken off, not only because of their exorbitant cost but because people dislike them. Biometrics use a "reader" scanner to recognise unique physical traits such as fingerprints, palm prints, eye retinal patterns and voice patterns, to then decide whether to grant or deny access.

Proximity-cards can be sensed from a distance by radio signals

"Doubtless such systems will find use, but only in a small number of high security applications. People don't mind voice recognition but worry about having their eyes scanned and find fingerprint scanning quite offensive," said sales marketing director David Young, of Group 4 security company.

Which is a reminder that electronic access control does not feed on technology alone. If people dislike the system, or are not properly trained to use it, the system will fail. The limitations of non-tech access control systems which use passes and passwords that could be lost or stolen, have not been completely overcome by the advent of high-tech.

Revealing an unexpected wisdom, access control suppliers are now begining to promote their user training as an integral part of their security packages. They are also promoting the idea that the trend towards integrating access control as an element in premises management is the way of the future. The systems can then be incorporated into the building at the design stage, rather than as an afterthought, as at present.

Finally, it is not easy to steer through a huge number of manufacturers of hardware, dealers and installers who may also be manufacturers plus the flock of independent consultants. For all the mixture, however, the top hardware manufacturers are mostly US companies, and the contingent of UK manufacturers/installers includes among its top names Group 4, White Group, Card Key, Chubb and Thorn.

The Digital Audio and Video Interactive Device (David): incorporating digital video and digital stereo audio capacity, 40Mb hard disk, VGA screen, laser disc player, mouse and keyboard, David takes videodisc capability almost to its limits.

MULTIMEDIA

Confusion surrounds new products

MULTIMEDIA IS rapidly becoming one of the hype-words of the 1990s personal computer industry. But the deluge of claims and promises about multimedia, coupled with publicity about a standards battle between rival systems, is generating confusion among potential users.

Even the meaning of multimedia is unclear. Defined broadly, the term encompasses any combination of sound and pictures on a machine, including video-games. But many people restrict its use to more sophisticated manipulation of audio, video, text and data on a personal computer.

However it is defined, multimedia is set for rapid growth, analysts say. A market forecast by the Information Workstation Group of Alexandria, Virginia, estimates that worldwide sales of multimedia products and services will grow from \$6.4bn (£3.40bn) in 1990 to \$34.1bn in 1994.

The most important vehicle for delivering multimedia in the 1990s will be the compact disc. Philips of the Netherlands and Sony of Japan launched CD-Rom (compact disc read-only memory) in 1985 as a standard medium for distributing information to personal computer users.

Most CD-Roms released so far contain a mixture of text and static graphics or pictures. Many are specialised databases aimed at professional and commercial markets – CD versions of on-line computer databases. A disc holding a valuable database, such as a comprehensive directory of companies in a particular sector, is likely to sell for several thousand pounds.

The storage capacity of a CD is 600 megabytes, equivalent to 1,500 floppy discs or 250,000 pages of printed text. That sounds impressive but it is quickly overwhelmed by the immense volume of data required to encode digital video. A single CD can hold only about three minutes of full-motion pictures.

Video is therefore the main technical obstacle in the way of multimedia. In recent years the electronics industry has made progress towards overcoming it, through "compression" technology.

The most important vehicle will be the compact disc.

Increasingly complicated algorithms (mathematical processes) are being used to squeeze redundant or surplus information out of video signals, so that they can be transmitted or stored in the smallest possible space without unacceptable loss of picture quality. Both intra-frame coding, which reduces the information content within a single picture, and inter-frame coding, which squeezes out surplus data from one frame to the next, are used.

The two best publicised compression techniques come from Intel of the US, which is developing a multimedia system called DVI (Digital Video Interactive), and Philips of the Netherlands, which is developing CD-I (CD Interactive).

At the moment DVI and CD-I are completely incompatible, although both companies say they will make their systems comply with standards for video compression and multimedia that are now being drawn up under the auspices of the International Standards Organisation. Even then, however, they are likely to be incompatible in practice, because the computers that run them will use different operating systems.

DVI and CD-I have different emphases. Philips sees CD-I primarily as a consumer product to be run on a dedicated CD-I machine – a new combination of home computer, video and audio player which is scheduled for launch in the US and Japan in 1991 and Europe in 1992. Many other leading consumer electronics companies, including Sony, Matsushita and Pioneer of Japan, are supporting CD-I.

Intel, on the other hand, is aiming DVI more at the business market. Unlike CD-I, which specifies the hardware, operating system and storage media, DVI is a set of chips designed eventually to turn any personal computer into a multimedia workstation.

Despite the differences between DVI and CD-I and the eagerness of Intel and Philips to discourage journalists from writing about a great battle for multimedia supremacy between the two systems, there is in fact a lot of overlap between their potential markets. Philips is developing a wide range of business and professional applications for CD-I ahead of its consumer launch, while Intel is talking about making home DVI systems in collaboration with the consumer electronics industry.

Video is the main technical obstacle to multimedia

And there are other contenders in the great multimedia battle. Apple, the independent-minded US computer company, is devoting huge resources to its own multimedia strategy based on the Macintosh PC.

Commodore of the US plans to launch CDTV, the first mass-market multimedia system, at the beginning of 1991. This is primarily a consumer product aimed at pre-empting CD-I but, like Philips, Commodore sees business users as an important sideline.

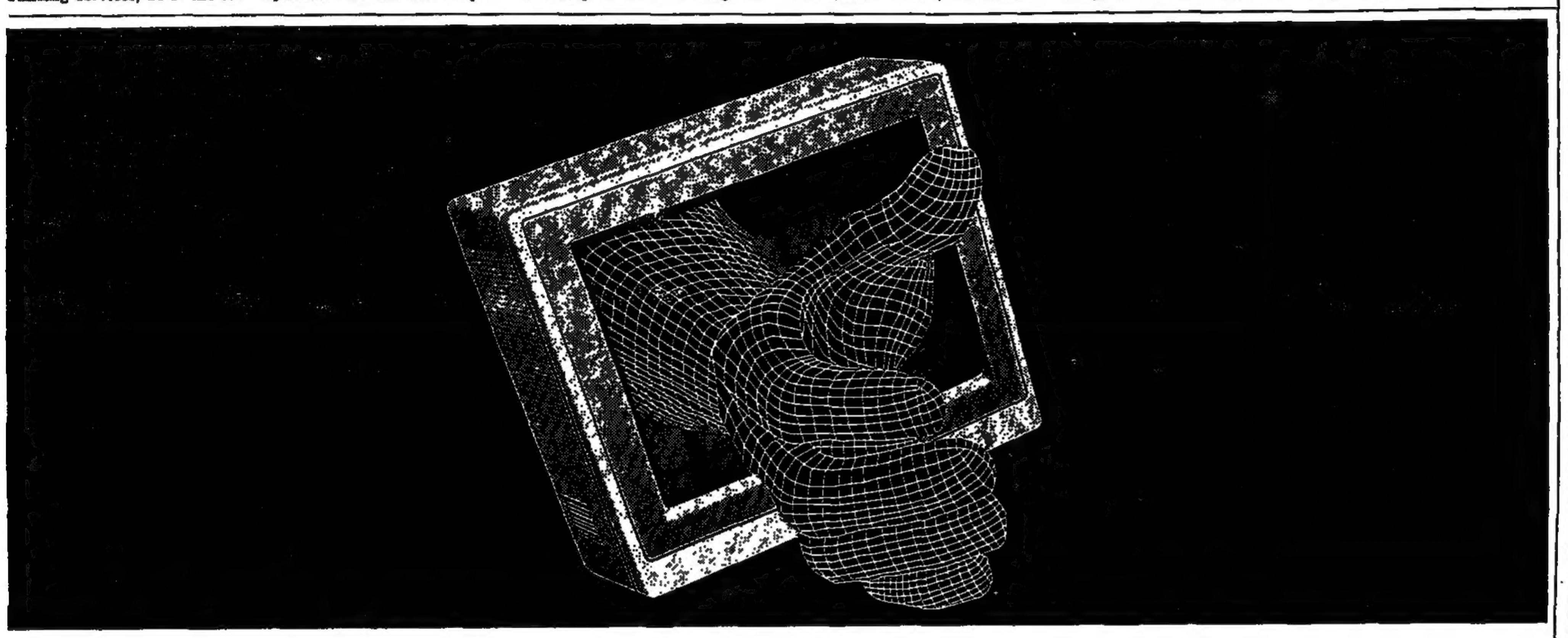
None of the multimedia systems announced so far can play full-screen full-motion digital video off a CD with a quality that matches analogue videotape or videodisc. DVI comes closest; its compression system can squeeze 72 minutes of full-screen video on to a CD, but the quality suffers if there is a lot of rapid movement. However digital multimedia systems can offer good quality video on a "window" covering less than half the screen, because that requires less data to give an acceptable movie.

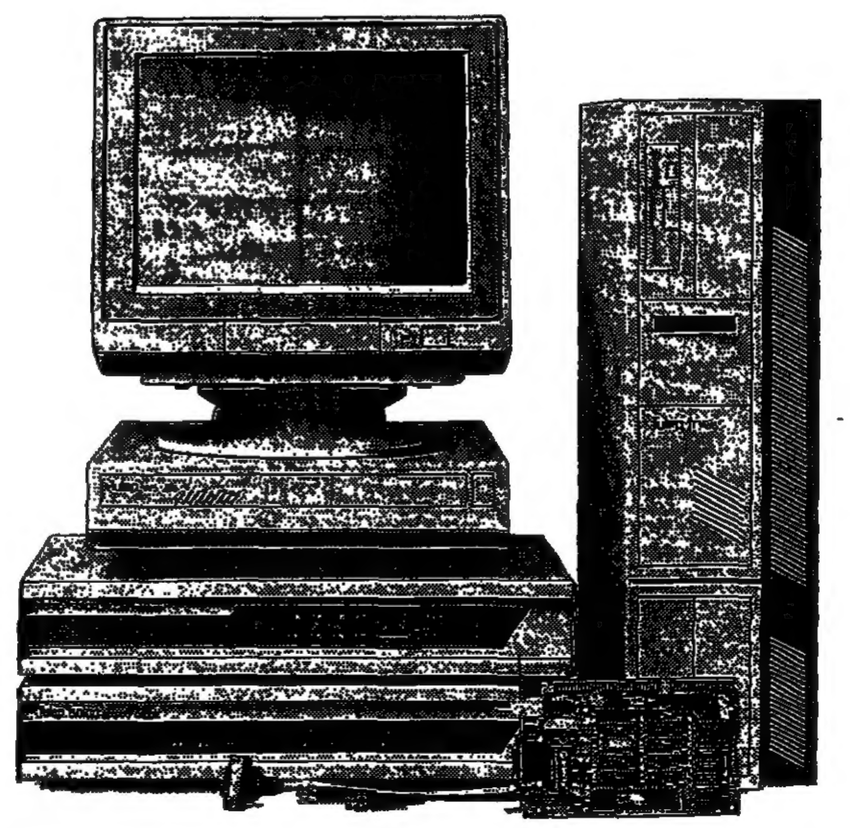
For commercial applications of interactive video that need high quality moving pictures, such as some training courses and point-of-sale information systems, there is no alternative to using analogue videodiscs such the Philips Laserdiscs. Because these do not store pictures as digital data suitable for manipulation by computer, there is a limit to how truly "interactive" they can be.

The Digital Audio and Video Interactive Device (David) released last month by MV Multimedia, a subsidiary of Microvitec of the UK, pushes the capability of the videodisc virtually to the limit possible. The company believes that its video quality will not be overtaken by a purely digital CD-based system for at least 18 months.

Another important ingredient of multimedia in the office will be videoconferencing. The workstation of the late 1990s will enable an executive to mix any combination of graphics, sound, text and financial analysis on the screen – and to take part in a videoconference without leaving his or her desk.

Clive Cookson





The influx of technology is shaping design

Furniture follows changing demands

GIVEN THE inroads which technology has made in to the workplace over the past decade, putting demands on both users and the environment, it is today considered extremely shortsighted to purchase even the most basic office desks and chairs without taking into account technological needs.

Despite the advent of fibre optics which tidy away unsightly wiring under the floor, there is still the matter of vast lengths of computer, telecom, fax and printer cabling to be managed in an orderly and safe fashion.

Cables are not only ugly, they can also be a danger when staff find themselves manfully sidestepping them whilst balancing cups of coffee and reading computer print-outs.

And although the technology itself is shrinking, the square footage devoted to it on the desk top is growing. Environmental psychologist Mr David Tong of Building Use Studies explains: "People are working with their own personal computers, fax machines and printers. Therefore they will need an area to input and then a secondary area to discuss and dissect that information.

"Modern office work is becoming far more collaborative and desks will often need a tier drop end for the frequent 'instant' meeting."

Technology in the office, says Mr Tong, is "space hungry – so although modern office furniture may turn out to swallow up more expensive space, it may also offer a superior system of linkage for more efficient grouping or perhaps tiered storage for more effective use of height space."

More than half of Britain's larger companies are estimated to move 50 per cent of their staff within their office each year. Due to the soaring cost of office rentals, relocation and/or decentralisation is also on the increase. Jones Lang Wootton predicts a 10,000 job exodus from central London alone during 1990.

Whether you move within an office or from one office to another, the furniture must be moved and reconfigured too. Nowadays much play is made by many furniture manufacturers on the ease of relocating their products.

Mr Greg Wong, whose company Progress International moves and installs other people's furniture, has witnessed many a company manager's nightmare – cheap furniture disintegrating during the sales department's annual reshuffle. "I advise my customers that by and large they will get what they pay for," he says.

However, other factors apart from the demands of technology and the troubles of British firms are motivating the once cautious office manager to invest more thoughtfully in certain elements in the office

By no means the least of these elements is the staff. A combination of demographic, cultural and environmental trends has seen "people values" gaining ground in the 1990s. Individuals are now conscious of their lifestyles and organisations are aware of the need for a corporate image.

Lucas's self-contained conference room integrates furniture systems with information technology

Office design and furniture is no longer a matter of fashionable aesthetics dictated by designers' whims. Much press publicity have been given to awards granted to staff crippled with Repetitive Strain Injuries. The old model of scientific management – workplace theorist Frederick Taylor's notion of the white collar worker as a unit of productivity – has become obsolete. Office staff are now generally better educated, more articulate and more aware of their rights.

Meanwhile, employers faced with a skills shortage caused by demographic changes now appreciate that people are a valuable asset and that investment in their training should not be wasted.

Mr Doug Hamilton of interior design consultancy Wolff Olins Hamilton believes that workers now view a decent office environment as an essential rather than as a perk. "The furniture you use expresses a corporate message," he explains. "It tells you how the company treats the staff and that same image also mirrors professionalism to suppliers and customers alike."

Accurate figures on the size of the British office market are notoriously difficult to pin down. But according to two more recent reports, the 1990 market value is put between £260m and £320m for systems furniture; the total office furniture market is estimated to be £650m.

Taken on a European scale, 41.8m of the 98.7m people employed in the European Community work in offices. There are an estimated 60m workstations in the EC. That adds up to a lot of furniture and seating – and the figure is expected to rise further to 70m by the year 2000.

Faced with such a vast market potential, the major international players in the office furniture market have been on the acquisition trail. American furniture manufacturer Westinghouse, for instance, has recently taken over Knoll, Shaw-Walker and Reff – so doubling its size in an expanding global market. Rival multinational office giant Steelcase Strafor has meanwhile purchased established British company Gordon Russell and the US company Hayworth has snapped up Comforto.

The top end of the office furniture systems market is now being consolidated in the hands of the mighty few. But will big necessarily mean profitable? In Britain at least as many furniture companies have been quite severely bruised by the current recession. Black Arrow Group pretax profits fell from £4.6lm on £3.75m for the year to March, and Allan Cooper pretax profits for the first half of this year were also down by 28 per cent.

British office furniture manufacturers have a tough fight on their hands in defending their domestic market and making inroads into European ones. A new EC directive on visual display units is set to become mandatory in the UK on December 31 1992 and is likely to play a make-or-break role in future developments.

This directive gives minimum design requirements for office desks, chairs, workspaces and lighting for use with VDUs. Its technical scope will influence every aspect of office furniture design. Most UK-based manufacturers are confident that their furniture will meet the anticipated standard proposed when the UK Health and Safety Executive issues appropriate regulations to comply with the directive.

Several, among them Project and Jensen, have already held seminars in a bid to explain the full implications of the directive to their customers. But worries persist that the UK design community is largely ignorant of the changes ahead.

Within a couple of years it will not be only the enlightened few companies who employ ergonomists and buy flexible furniture. All employers will be held responsible for the health and safety of their workforce – and that means choosing and providing office furniture tailored to technological needs, with the mechanisms, moveability, non-reflective surfaces and dimensions to meet the Euro-legislation being mooted.

Wendy Smith

ERGONOMICS

Chair design focus for heated debate

ALL AGREE. The working chair is the most important piece of ergonomic furniture – of ergonomics generally – in the office. People with aching backs and necks are not efficient, and ergonomically correct chairs promote good posture.

What is debated, however, what form the design of such a chair should take to make an important contribution to efficiency office work.

Medical evidence shows that working seated for long periods of time puts harmful stresses on the body. Yet over half the working population spend their working lives sitting down in offices, and increasingly amount of this time is spent in front of a VDU.

Chairs can help prevent the muscular strains that arise from this kind of work by offering height adjustment, support for the back and the ability to being able to swivel and move laterally to adjust the angle of back support the sitter prefers.

But the role of a chair over and above these functions causes fierce disagreement among ergonomists and chair designers. Firm lumbar support, automatic synchronised mechanisms which respond to the sitter's movements without levers and buttons, chairs that tilt forward so that the spine keeps the correct S-shaped position, are all backed by strong arguments. Even the EC has joined in the fray.

The £400m European chair industry (£116 in the UK) has recently been shaken the EC directive on the minimum health and safety requirements for work with VDUs. The directive will come into force in the national law of all member states by the end of 1992, and may make many ergonomic chair designs illegal.

Not only does it specify that chairs used for working at VDUs should allow the operator easy freedom of movement and a comfortable position, but it specifies that chairs must have height adjustable seats and "seat backs also adjustable in height and tilt".

This looks set to upset many in the office chair industry for although most modern office chairs have height adjustable seats and tiltable backs, height adjustable backs are rare.

Yet, it would even seem, to take the directive literally, that many old-fashioned typist chairs with backrests that slide crudely up and down a bent pole would be approved, while recent masterpieces of chair design would not.

In fact chairs with separate height adjustable backs are now deemed somewhat out of date. Clerk's chairs needed height adjustable backrests because their backrests were usually very small. But modern chairs have longer, S-shaped backrests which provide lumbar support without the need for height adjustment.

In recent years conventional working chairs have been largely superceded by "dynamic" chairs in which seat and back angles, created by mechanically articulated two-piece shells, adjust in synchronised movements.

Dynamic chairs are claimed to give perfect support to the whole body even when the sitter is in movement, not just when sitting still. So many argue the directive has been based on an outmoded ergonomic principle, ignoring the design and engineering advances of the past 10 years.

As a result intensive lobbying by the industry and international standards organisations is aiming to get the EC chair specification amended. The directive, however, is no longer up for discussion, having been approved by the EC Council on 29 May 1990.

Whether those lobbying (including the German, French, British and American chair industries, directly or through their industry associations) failed to do so at draft stage – or whether the EC simply turned a blind eye to their efforts – is not clear. But what seems now to be happening is a concerted campaign to include in the chair specification an additional commentary (amounting to de facto modification), which will explicitly mention different types of chair design.

The way out being suggested turns on the directive's vague requirement that VDU chairs should provide "easy freedom of movement and a comfortable position". The current ergonomic consensus is that this, including more specifically proper back support, can be achieved by more than one type of chair design.

The directive, the lobbyists argue, should reflect these views. The conflict will at least have served to concentrate everybody's minds on the realities of EC law.

Politics apart, the consensus is that today's state of the art working chair – with gaslift adjustment, lockable/free floating reclining facility, synchronised seat and back – is characterised by movement and fastidious adjustment.

This is rapidly becoming the norm in the office. Even executive chairs are now designed as efficient working chairs rather than status symbols. Some suppliers market the same synchronised chair throughout the office echelons, changing only the quality of the finish (such as leather as opposed to fabric) to signal the user's status.

The rest of the world may well be catching up with democratic Scandinavia where oversized and uncomfortable executive seating was never popular.

However, the trend towards one-chair for all probably reflects less of a democratisation of the office environment, than the fact that executives all too frequently work in front of VDUs and suppliers increasingly need to rationalise their ranges

Manufacturers are facing increasingly costly costs which can only be offset by volume and international sales.

Chair-making, it is said, must make the transition from craft to mass production, robots and all. And a likely scenario is that the present rich diversity of models and suppliers will be whittled down to a few key manufacturers.

Currently the industry heavyweights include international names like Steelcase Strafor and Herman Miller; the UK's Project and Verco.

Laura Blair

Constantly being on the move is proving an expensive business

Preparing for change

EVERY DAY of every working week, companies in Britain are either physically on the move or plotting their escape from escalating rents in congested city centres to the leafier, cheaper suburbs or brand new out-of-town business parks on green field sites.

Relocating anywhere is guaranteed to be expensive: the Confederation of British Industry recently calculated that it could cost an average of £10,000 per employee to organise a satisfactory move.

It also involves complex and convoluted planning, excessive man hours and more than a pinch of human misery. And yet companies still do it frequently.

The reasons why they embark on this awesome task is highlighted in a report by property consultants Debenham Tewson Research, "The Shifting Pattern of Office Decentralisation".

During the 1980s, says the report, companies were attracted to the idea of decentralisation because they needed new types of space to meet the requirements of changing working practices, less inflationary accommodation costs, and more pleasant working environments as a contrast to the chaos of urban congestion.

Advances in technology, increased the mobility of corporate activities and encouraged a split between executive headquarters in central London and back office functions such as accounting and computing which could be relocated to less expensive areas.

As yet, there is no sign of a slowdown in relocation, but according to the same report there will be a marked change in the reasons for moving in the 1990s.

Recruitment difficulties in London due to changing demographics will play a key role — the London Chamber of Commerce and Industry's quarterly survey indicates that 50-60 per cent of all service companies are already finding the right staff hard to find.

Meanwhile, the desire for a better working environment will see companies moving further afield than before.

The person charged with the responsibility for organising the move of both technological and human resources varies according to the type and size of organisation. It could be the facilities manager, office manager, financial director or, in a smaller firm, the managing director.

If the burden appears too heavy or the logistics look to be too complex, any of these people can call on a number of expert consultants for help. The number of commercial relocation service companies presently listed with the Association of Relocation Agents is 30.

Management consultants such as the Fulcrum Group and Relocation Management Associates will also undertake the task.

However, moving computers and ancillary equipment from one office to another will invariably be sectioned off into a completely different project file. Should the computer be a mainframe from a reputable supplier and under a maintenance contract, then the relocating company will probably be obliged for insurance reasons to allow the supplier to handle the move.

Digital, for instance, offers a service call DECmove which is available for equipment under warrantly or a maintenance agreement. This takes care of the de-installation, move or re-installation.

But word processors and simple plug-in personal computers do not warrant such expertise. They can simply be unplugged and blanket-wrapped for moving, as can fax machines.

"Life gets a little more complicated when it comes to a photocopier", explains Ms Philippa Vernon-Powell of The Office Relocation Company. "Firstly, you have to ask the photocopier supplier if you can move it. Some insist on moving their own and that can cost anything from £100 to £250, but a 'nice' company won't charge."

The procedure is similar with telex machines. Despite the overwhelming popularity of the fax, many financial institutions which trade with Third World countries are still using telexes.

"In the UK, British Telecom has around 80 per cent of the telex market and because of the outmoded wiring system they won't let you move it yourself", explains Ms Vernon-Powell.

For organisations that are not tied into a maintenance contract with a computer supplier, there is always the independent route. A number of removal firms claim to specialise in moving technology around the country.

Bishop's Move London, which has been involved in a number of computer moves for the Midland Bank using air ride suspension vehicles, sees the handling of technology as a growing part of its business because client companies are becoming more highly computerised.

Supposing that your people and equipment survive the move, the new office that awaits them has to be properly planned to minimise disruption and maximise productivity both in the short and the long term.

According to Mr Peter Ullathorne of designers and architects McColl, companies should have looked closely at their space requirements before choosing the building — "if they have to move they should know the growth and contraction projected over a five year period", he says.

Over the past 20 years, office space planning has seen cellular offices and open plan deployed in a variety of different "landscaping" configurations. Now, due to changing work patterns, the advent of home working and flexible hours, that previous mix is being challenged by a different approach to spatial planning.

McColl's Ullathorne highlights key international examples. The Scandinavian Airlines office in Oslo favours the combi-office. All the staff from the managing director to the typists have their own cellular office clustered in groups around an open space. IBM in Tokyo has unallocated spaces for its salesmen who check in to a computer which in turn directs them to an open desk space.

Space planning will no longer be a case of calculating a foot print for the workstation and then multiplying it by the number of staff to be accommodated in the office. It will be governed by a different set of parameters. Dr Frank Duffy of architects and space planners DEGW explains: "Companies should be bearing in mind that users will be performing different types of work, they will be more concerned about the environment, and the emphasis will be on interaction of space rather than on deflection of status."

On the practical level, experience has shown that you cannot standardise space. Office planning has become a sophisticated mix of art, science and psychology, but computers can still put a high-tech spanner in the works. Ms Joan Aubrey-Jones of Organised Office Designs says, "The IT manager doesn't know enough about space planning and the space planner certainly doesn't know enough about technology. It has got to be a collusion of experts."

Wendy Smith

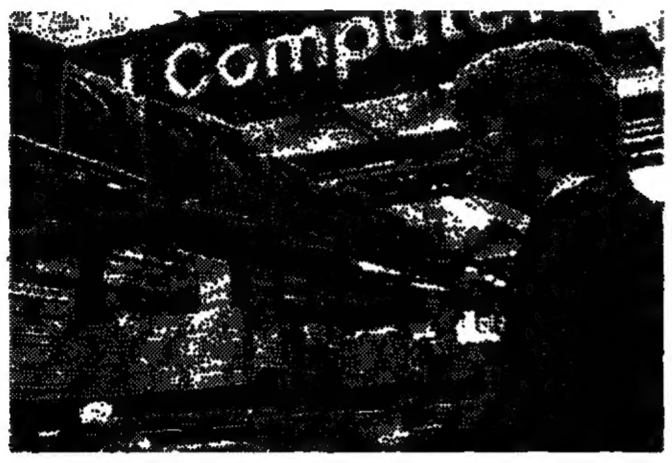
New frontiers in flexibility

Continued from Page 1

It will also increase the demand for power and better air conditioning in buildings, as a personal computer with a colour screen requires up to three times as much electrical power as a monochrome terminal, and discharges more heat.

As more of a company's vital records are computerised there will be a growing fear of power failure and the need to provide back-up power in case of mains power failure.

● The increasing emergence of digital equipment in the office will change the way equipment is distributed around the building, with a move away from the central photocopying or printing room, to more equipment of the desk-top.



Computer back-up systems are becoming vital

Digital photocopiers, which swap the complicated analogue lens system for a digital scanner, will blur the distinction between the photocopier, fax machine and computer printer. Rank Xerox, for example has a digital photocopier for sale which is also a plain paper fax machine. The company is planning to incorporate a printer in this type of unit as well.

"When I look at my secretary now she has a laser and a fax machine on her desk and there is a photocopier in the corner of the room," says Mr Greg Melgaard, deputy chairman of Gestetner, one of Europe's largest independent distributors of office equipment: "I can see all those being incorporated into one piece of equipment."

Being digital, the equipment can be connected to a computer local area network. That would mean that the unit could be used for scanning documents into a PC. Once on the computer screen, the information could be manipulated, and then printed out or sent as a fax from the printer/fax unit.

● The introduction of such hybrid machines will mean the smaller business, as well as large corporate ones, will be able to take advantage of the most up-to-date office technology, with all the implications that has for office design. Other gadgets designed to aid the smaller business include cheaper fax machines and switches which enable acompany to use a single phone line for both voice and fax calls.

● The introduction of the combined fax, copier and printer will mean an increased emphasis on the document rather than the data. One simple example of this trend is the way in which the fax machine has ousted telex as a way of sending textual information, says Mr David Millican, a marketing manager at Rank Xerox.

Mr Millican points out that while companies spend about two per cent of turnover on IT, they spend between six and 10 per cent on documentation — management reports, equipment instructions or audit reports, for example.

As scanners enable employees to store whole documents electronically, for easy retrieval, manipulation and despatch — by fax or post — there will be a need for more powerful storage media.

The obvious candidate is the optical disc, which can store huge amounts of archive data, but needs to be considered in the planning of any office technology.

The challenge for companies now, argue equipment manufacturers, is to accept the need for office technology, and develop an overall strategy to make it work for them.

Della Bradshaw

■ COMPUTER technology, left, in the dealing room of Leeds Permanent, Britain's fifth-biggest building society.

Leeds, the home city of two building societies, is seeking to attract more companies away from the south of England to its fast-developing financial services centre. The city seeks to displace Manchester as the commercial capital of northern England. Advances in telecommunications, increased the mobility of corporate activities and encouraged a split between executive headquarters in central London and back-office functions, such as accounting and computing, which could be relocated to less expensive areas.

An improved quality of life, plus savings on accommodation and salaries are among the prime reasons for the surge of interest in office relocation.

But company relocation involves complex issues, demanding careful answers. A factor which many companies are probably not aware of is that for an office to relocate 200 staff from London, under prevailing conditions, the break-even point is six years into the future, according to estimates at the Centre for Urban Research and development at Newcastle University.